

AMP Australian Bond

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To provide a total return (income and capital growth) above the Bloomberg AusBond Composite 0+ Yr Index on a rolling 12-month basis. The portfolio invests primarily in Australian government bonds and credit securities and the portfolio may also invest in global fixed income securities, and derivatives in global fixed income markets, which may include a small exposure to emerging markets. Exposure to global fixed interest securities will principally be hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Australian Fixed Interest
Suggested minimum investment timeframe	2 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Fixed Interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	2.84
Australian Fixed Interest	94.54
Cash	2.62

Sector Allocation	%
Investment Grade Corporate	53.86
Government Agencies/Regionals	22.03
Developed (Non-US) Sovereign Debt	10.84
Agency MBS	8.76
Cash	2.62
High-Yield Corporate	1.11
ABS (Non-Mortgage)	0.81

Top Holdings	%
AUSTRALIAN GOVERNMENT	10.84
NEW S WALES TREASURY CRP	6.68
QUEENSLAND TREASURY CORP	3.75
SOUTH AUST GOVT FIN AUTH	3.00
Australia & New Zealand Banking Group Ltd	2.70
TREASURY CORP VICTORIA	2.59
WESTERN AUST TREAS CORP	2.26
AUST CAPITAL TERRITORY	1.93
BANK OF MONTREAL	1.63
WELLS FARGO & COMPANY	1.62

Quality Allocation	%
BBB	28.34
Agency/Government	22.03
A	19.59
AAA	13.10
Treasury	10.84
Cash	2.62
AA	2.39
BB	0.92
CCC	0.21

Fund Performance

The Fund posted a positive return (before fees) in the September quarter and outperformed the benchmark. The largest component of the portfolio, held in conventional government bonds and managed by **AMP Capital**, posted a positive absolute return and outperformed its benchmark. The smaller inflation-linked component, managed by **Ardea**, also posted a positive absolute return and outperformed its benchmark.

AMP Capital's performance benefited from Australian duration and spread positions which began to factor in a higher probability that the Reserve Bank of Australia will cut the policy rate further. It also benefited from volatility positioning, with short volatility positions taken at the short end of the US and European interest rate curves, and with corresponding long positions at longer maturities.

Inflation-linked bond fund manager **Ardea** benefited from bond-swap, semi-government bond and inflation strategies. Yield-curve arbitrage strategies detracted. Interest rate swap strategies enable the Fund to over and underweight specific bonds and maturities along the yield curve, while neutralising the duration associated with these positions, and manage overall exposures and movements in government bond yields.

Market Review

Australian long-dated government bond yields moved lower over the course of the quarter as economic prospects were impacted by a flare up in COVID-19 infections in Victoria and the subsequent reimposition of lockdown measures. Investors largely discounted the prospect of ongoing fiscal stimulus leading to higher medium-term inflation and instead focused on the implications of a decline in immigration and the prospect of reduced housing demand, an increasing shift to part-time employment and the impending tapering of the JobKeeper support initiative. The Commonwealth Government 10-year bond yield declined by eight basis points over the quarter to 0.79%, while its 2-year counterpart ended nine basis points lower at 0.16%. Total returns for Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, were around 1.0% for the period, in Australian dollar terms.

Australian credit spreads meanwhile tightened over the September quarter despite a resurgence of COVID-19, which prompted the re-introduction of lockdown measures across Melbourne and reignited concerns about the outlook for the retail sector. Results from the domestic corporate profit reporting season were mostly favourable from a credit perspective, which provided a particular boost to sentiment.

Outlook

The Reserve Bank of Australia has kept its policy rate at a record low of 0.25%; implementing a yield curve control policy whereby it also targets the three-year bond yield at 0.25%. Further stimulus measures will be required to maintain the productive capacity of the economy, although monetary options will become more limited as interest rates approach zero. Given structural issues around an indebted consumer, which will likely see monetary policy constant for the time being, we expect Australian rates to remain low although are unlikely to become negative.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1319AU
AMP Flexible Super - Super	AMP1449AU
CustomSuper	AMP0343AU
Flexible Lifetime - Allocated Pension	AMP0590AU
Flexible Lifetime - Investments (Series 1)	AMP1048AU*
Flexible Lifetime - Investments (Series 2)	AMP1388AU
Flexible Lifetime - Super	AMP0343AU
Flexible Lifetime - Term Pension	AMP0890AU
SignatureSuper	AMP0738AU
SignatureSuper - Allocated Pension	AMP1128AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.

Please note that slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.