



AMP International Bond

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the performance benchmark on a rolling 3-year basis. The benchmark is the Bloomberg Barclays Capital Global Aggregate Index in AUD (AUD Hedged). The portfolio provides investors with access to a diversified portfolio of short and long-term global fixed income securities. Generally, this portfolio is hedged 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	Global fixed interest
Suggested minimum investment timeframe	3 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Multi-manager

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

Actual Allocation	%
International Fixed Interest	99.96
Cash	0.04

Market Review

Global government bond yields moved lower in July, as heightened geopolitical tensions and the ongoing struggle to contain COVID-19 held sway over upside surprises in US company earnings. Yields subsequently rebounded amid the inflationary implications of a move by the Fed to adjust its inflation target and with sales and re-financing data pointing to sustained strength in the US housing market. Meanwhile, the prospect of a further US fiscal stimulus package remained elusive, despite the Fed Chair Jerome Powell reiterating that a lack of additional fiscal support represented a "downside risk" to the economic outlook. The US 10-year bond yield ended the quarter three basis points higher at 0.69%. The German 10-year bond yield declined by six basis points to -0.52% and its Japanese counterpart declined by one basis point to 0.01%. Total returns for global bonds, as measured by the Bloomberg Barclays Global Aggregate Index Hedged, returned around 0.7% for the period, in Australian dollar terms.

Global credit spreads meanwhile tightened over the September quarter, driven initially by better than expected US corporate profit results. Although earnings were mostly lower, the extent of the decline was substantially less than expected, which provided a boost to market sentiment. Despite progress towards a further US fiscal stimulus package remaining mired in political wrangling, credit investors were encouraged by stronger than expected US economic data.

Outlook

The outbreak of COVID-19 has likely triggered a global recession and policy makers around the world are having to respond with dramatic levels of monetary and fiscal stimulus. The emergence of COVID-19 within an ongoing background of weak economic fundamentals and subdued inflation, as well as the adoption of yield curve targeting and quantitative easing monetary programmes, continues to argue for a bias towards longer duration positions, although risks of second wave outbreaks remain and uncertainty remains elevated.

Availability

Product Name	APIR
CustomSuper	AMP0344AU*
Flexible Lifetime - Allocated Pension	AMP0610AU*
Flexible Lifetime - Super	AMP0344AU*
Flexible Lifetime - Term Pension	AMP0900AU*

*Closed to new investors

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