

# Franklin Templeton Multi-Sector Bond

Quarterly Investment Option Update

30 September 2020

## Aim and Strategy

To maximise total investment returns consisting of a combination of interest income, capital appreciation and currency gains. The benchmark for performance comparison purposes is the Bloomberg Barclays Capital Multiverse Index (hedged into Australian dollars). The option will seek to achieve its objective by investing primarily in a portfolio of fixed income securities and debt obligations (including convertible bonds) of government, government-related, securitised and corporate issuers worldwide. Sub-investment grade and non-rated exposure may be up to 50% of the portfolio and may take the form of emerging market debt or high yield credit exposure. The option may also invest in securities linked to the assets or currencies of any nation. The option may purchase foreign currency denominated fixed income securities, debt obligations, and may also invest in derivatives.

## Investment Option Performance

To view the latest investment performances for each product please visit:

[www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Specialist Fixed Interest
<b>Suggested Investment timeframe</b>	5 Years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Specialist - Opportunistic
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	N/A	85.06
Cash	N/A	14.94

Sector Allocation	%
International Government / Agency Bonds	86.08
Corporate Bonds	0.00
Sovereign Bonds	0.00
Derivatives	(1.02)
Cash & Cash Equivalents	14.94
Other	0.00

Regional Allocation	%
Australia / NZ	0.00
Japan	25.95
Developed Asia (ex Japan)	19.17
Europe (ex-UK)	6.99
United Kingdom	0.00
North America	0.00
Middle East & Africa	4.34
Emerging / Frontier Europe	0.00
Latin & South America	29.64
Emerging / Frontier Asia	0.00
Other	13.92

Top Holdings	%
Government of Mexico, senior note, M, 7.25%, 12/09/21	7.43
Government of Indonesia, senior bond, FR61, 7.00%, 5/15/22	6.37
Government of Mexico, senior bond, M, 6.50%, 6/09/22	6.30
Korea Treasury Bond, senior note, 1.875%, 3/10/22	4.75
Letra Tesouro Nacional, Strip, 1/01/22	4.16
Government of Ghana, 24.75%, 7/19/21	2.63
Titulos de Tesoreria, senior bond, B, 7.50%, 8/26/26	2.49
Government of Norway, 144A, Reg S, 2.00%, 5/24/23	2.48
Korea Treasury Bond, senior note, 2.625%, 6/10/28	2.47

## Portfolio Summary

- Interest-rate strategies contributed to absolute results.
- The portfolio's net-negative position in the euro also detracted from absolute results, while its net-positive position in the Japanese yen contributed.
- Since the AUD appreciated 3.76% against the US dollar during the quarter, the hedge into AUD had a positive effect for AUD-based investors.

## Investment Option Commentary

In the third quarter of 2020, currency positions detracted from the portfolio's absolute performance. Interest-rate strategies contributed to absolute results, while overall credit exposures had a largely neutral effect. Amongst currencies, positions in Latin America (the Argentine peso) and Asia ex Japan (the Indonesian rupiah) detracted from absolute performance. The portfolio's net-negative position in the euro also detracted from absolute results, while its net-positive position in the Japanese yen contributed. Positions in northern European currencies also contributed to absolute performance. The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select duration exposures in Latin America (Argentina and Mexico), Asia ex Japan (Indonesia) and Africa (Ghana) contributed to absolute results. The portfolio's Australian-dollar hedge functioned as designed during the quarter, providing Australian investors with a return in Australian dollars (AUD) that approximates the return a US investor would receive in US dollars. Since the AUD appreciated 3.76% against the US dollar during the quarter, the hedge into AUD had a positive effect for AUD-based investors. The AUD appreciated 6.07% against the US dollar for the one-year period ended 30 September 2020.

## Market Commentary

Rebounding economic activity, along with extraordinary monetary accommodation and massive fiscal stimulus from governments around the world, continued to fuel rallies across global financial markets for the first two months of 2020's third quarter. However, several risk assets pulled back from their peaks in September, particularly as areas of Europe and Asia returned to various restrictions and shutdowns. Developed market sovereign bond yields fluctuated during the quarter, while yields finished higher in a number of local-currency emerging markets. The US dollar broadly weakened against most developed and emerging market currencies during the quarter, but finished on a strengthening trend in September.

## Outlook

Franklin Templeton remains cautious on the risk profiles across global fixed income markets as the COVID-19 pandemic continues to impact economic activity around the world. The broad-based selloffs across asset classes in September demonstrate the highly correlated and currently vulnerable state of global financial markets, in our assessment. They continue to aim at positioning our strategies to be uncorrelated to vulnerable asset classes while delivering high income and defending capital. They're currently focusing on specific perceived safe-haven investments, while emphasising a select set of higher-yielding emerging markets that have relatively resilient domestic economies. They're aiming to derive alpha from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential left and asymmetric interest-rate risks as yields grind to historic lows.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1851AU
AMP Flexible Super - Retirement account	AMP1871AU
AMP Flexible Super - Super account	AMP1867AU
CustomSuper	AMP1851AU
Flexible Lifetime - Allocated Pension	AMP1855AU
SignatureSuper	AMP1859AU
SignatureSuper Allocated Pension	AMP1863AU
SignatureSuper Select	AMP1859AU

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