

# AMP Australian Bond

## Quarterly investment option update

### 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.amplife.com.au/growthbond](http://www.amplife.com.au/growthbond)

### Investment Option Overview

|   |                           |
|---|---------------------------|
| <b>Investment category</b>                    | Australian Fixed Interest |
| <b>Suggested minimum investment timeframe</b> | 2 years                   |
| <b>Relative risk rating</b>                   | Medium to high            |
| <b>Investment style</b>                       | Active                    |
| <b>Manager style</b>                          | Single                    |

| Asset Allocation             | Benchmark (%) |
|------------------------------|---------------|
| Australian Fixed Interest    | 100           |
| Cash                         | 0             |
| Actual Allocation            | %             |
| International Fixed Interest | 1.87          |
| Australian Fixed Interest    | 96.26         |
| Cash                         | 1.87          |

| Sector Allocation                 | %     |
|-----------------------------------|-------|
| Investment Grade Corporate        | 53.01 |
| Government Agencies/Regionals     | 23.03 |
| Developed (Non-US) Sovereign Debt | 12.21 |
| Agency MBS                        | 8.34  |
| Cash                              | 1.87  |
| High-Yield Corporate              | 0.89  |
| ABS (Non-Mortgage)                | 0.85  |

| Top Holdings                | %     |
|-----------------------------|-------|
| AUSTRALIAN GOVERNMENT       | 12.21 |
| NEW S WALES TREASURY CRP    | 5.86  |
| QUEENSLAND TREASURY CORP    | 4.89  |
| TREASURY CORP VICTORIA      | 3.54  |
| SOUTH AUST GOVT FIN AUTH    | 2.84  |
| NORTHERN TERRITORY TREAS    | 2.19  |
| WESTERN AUST TREAS CORP     | 1.80  |
| BANK OF MONTREAL            | 1.72  |
| WELLS FARGO & COMPANY       | 1.67  |
| National Australia Bank Ltd | 1.60  |

| Quality Allocation | %     |
|--------------------|-------|
| BBB                | 28.40 |
| Agency/Government  | 23.03 |
| A                  | 19.80 |
| Treasury           | 12.21 |
| AAA                | 11.36 |
| AA                 | 2.62  |
| Cash               | 1.87  |
| BB                 | 0.69  |
| CCC                | 0.21  |



## Fund Performance

The Fund posted a positive return (before fees) in the December 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 volatility positioning at the short-end of the European, long-end of the Australian, and intermediate section of the US, yield curves. Emerging markets also performed well, with Mexico particularly benefitting from continued inflows. Semi-government exposures also performed well.

Inflation-linked bond fund manager **Ardea** benefited particularly from gains in breakeven inflation, yield curve, semi-government and bond-swap strategies. Breakeven inflation strategies were assisted by the Fund's overweight positioning to the long-end of the inflation curve. The Fund also benefitted from yield curve strategies over the quarter as a whole. Semi-government bonds continued to attract robust demand from financial institutions for regulatory capital purposes.

## Market Review

Stimulus measures implemented in response to the impacts of COVID-19 have clearly bolstered the domestic economy, with a study from the Reserve Bank of Australia showing that the JobKeeper wage subsidy scheme reduced total employment losses by at least 700,000 over the period from April to July, bolstering sentiment within the fixed income market. Domestic economic news flow during the December quarter was highlighted by a rise of 3.3% in gross domestic product in the third quarter, following a record 7.0% fall in the previous quarter. The rebound was largely driven by household spending which rose sharply following the easing of lockdown restrictions in Victoria. The Commonwealth Government 10-year bond yield rose by 18 basis points over the quarter to 0.97%, while its 2-year counterpart ended nine basis points lower at 0.07%. Total returns for Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, were -0.16% for the period, in Australian dollar terms.

## Outlook

The Reserve Bank of Australia has reduced its policy rate to a record low of 0.10%, essentially zero, with an associated broad-based quantitative easing and bond purchase programme. However, additional stimulus measures will be required to maintain the productive capacity of the economy, although monetary options are now more limited, with negative interest rates unlikely at this juncture. Despite structural issues around an indebted consumer, which could create future risks, we see monetary policy remaining accommodative for the foreseeable future.

## Availability

| Product name    | APIR      |
|-----------------|-----------|
| AMP Growth Bond | AMP1188AU |

## Contact us

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