

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

31 March 2021

Aim and Strategy

To achieve maximum total return by investing in Australian and overseas bonds, and to preserve capital through prudent investment management. PIMCO applies a wide range of diverse strategies including duration analysis, credit analysis, relative value analysis, sector allocation and rotation and individual security selection. PIMCO's investment strategy emphasises active decision making with a long-term focus and seeks to avoid extreme swings in duration or maturity with a view to creating a steady stream of returns. The portfolio invests in indirect and direct government, corporate, mortgage and other fixed interest securities, the portfolio may also hold cash. It invests predominantly in investment grade securities but may also invest in non-investment grade fixed interest securities and emerging market debt. The benchmark is comprised of Barclays Capital Global Aggregate Bond Index (hedged into Australian dollars) and 50% Bloomberg AusBond Composite 0+ Yr Index.

Investment Option Performance

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

Investment Option Overview

Investment Category	Diversified Fixed Interest
Suggested Investment timeframe	5 years
Relative risk rating	4/ Medium
Investment style	n/a
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	50	51
Australian Fixed Interest	50	49
Cash	0	0

Sector Allocation	%
Government	66
Semi-Government	2
Agency	4
Investment grade corporates	11
High Yield	1
Securitized	4
Emerging Markets	9
Cash and Other	2

Regional Allocation	%
Australia/NZ	49
Japan	9
Europe – EMU	9
Europe – Non-EMU	4
United Kingdom	2
North America	22
Emerging Markets	4
Other	1

Top Holdings	%
Australian Government	27.53
United States Government	13.68
Japanese Government	9.68
Italian Government	3.95
Queensland (state of)	3.13
French Government	3.02
Victoria (state of)	2.55
New South Wales (state of)	2.02
Northern Territory Government Of Australia	1.75
Western Australia (State Of)	1.70

Portfolio Summary

- Over the quarter, the Diversified Fixed Interest strategy outperformed its benchmark largely due to spread sector positioning
- Q1 saw a sharp increase across developed market yield curves alongside expectations for recovering growth and higher inflation
- Credit was supported by the positive global risk sentiment as well as positive investment grade technicals.

Investment Option Commentary

Q1 saw a sharp increase across developed market yield curves alongside expectations for recovering growth and higher inflation. The yield moves were exacerbated by factors such as technical pressures and a repricing of expectations for central bank policy. Australian bond yields underperformed most other developed market counterparts, with yields rising faster largely due to the market's reaction to the RBA's bond buying program, as well as technical factors. Lending some credence to the local moves, a number of higher-than-consensus data prints were released over the quarter, including a 0.6% drop in unemployment and a 3.1% QoQ GDP print for the December quarter.

Market Commentary

In Australia, moves were exacerbated by technical factors and positive data prints released over the quarter. Credit was supported by the positive global risk sentiment as well as positive investment grade technical. Market focus has been increasing on the RBA and how they would interpret more positive economic figures YTD in the form of updated policy guidance. So far through 2021, the RBA haven't shown any indication of deviating from their current accommodative policy stance despite markets repeatedly testing their resolve.

Outlook

Following an outsized contraction of economic activity in 2020, the investment manager expects global output and demand to rebound strongly in 2021, especially in the second half of the year, driven by the broadening rollout of vaccines and continued fiscal and monetary policy support. Meanwhile, the investment manager anticipates inflation will creep up only moderately and generally remain below central banks' targets in all major economies.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1793AU
AMP Flexible Super - Retirement	AMP1787AU
CustomSuper	AMP1817AU
Flexible Lifetime - Super	AMP1817AU
Flexible Lifetime - Allocated Pension	AMP1811AU
Flexible Lifetime - Investments (Series 2)	AMP2039AU**
SignatureSuper	AMP1805AU
SignatureSuper - Allocated Pension	AMP1799AU

**Closed to new and existing investors

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