

AMP Capital Corporate Bond

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To deliver to investors regular monthly income (which exceeds the income from term deposits and government bonds) whilst seeking to provide capital stability to investors over the medium term. The portfolio also seeks provide total returns (primarily income with some capital growth) above the Bloomberg AusBond Bank Bill Index over a rolling three-year basis. The option invests in an actively managed portfolio of corporate bonds , primarily on investment grade rated corporate bonds in the Australian market and also has exposure to global bond markets. Exposure to global credit 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	3 years
Relative risk rating	Low to Medium
Investment style	Active
Manager style	Single

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

Actual Allocation	%
International Fixed Interest	3.38
Australian Fixed Interest	93.62
Cash	3.00

Sector Allocation	%
Investment Grade Corporate	83.19
Agency MBS	10.52
Cash	4.47
High-Yield Corporate	1.93
ABS (Non-Mortgage)	1.18
Government Agencies/Regionals	0.18

Top Holdings	%
Australia & New Zealand Banking Group Ltd	3.25
BPCE SA	3.13
FirstMac Mortgage Funding Trus	3.03
National Australia Bank Ltd	3.02
Westpac Banking Corp	2.86
BANK OF MONTREAL	2.33
Scentre Group	2.30
Sumitomo Mitsui Financial Grou	2.19
Banco Santander SA	2.12
Commonwealth Bank of Australia	2.01

Quality Allocation	%
BBB	44.98
A	34.29
AAA	12.56
Cash	4.47
AA	3.06
BB	1.93
Agency/Government	0.18

Fund Performance

The Fund produced a positive absolute return in the June quarter.

The Fund had another strong quarter, with narrowing credit spreads continuing to generate returns from credit positioning. It was a better quarter for bond funds in general, with bond yields falling after the jump higher seen in the previous quarter. The Fund saw some modest gains from interest rate positioning, though maintains very low levels of exposure to interest rate moves currently.

At the sector level, exposures to banks and financials, real estate, industrials, and securitised assets were the top performers. Exposures to communications, energy, and materials were the main detractors.

At the security level, exposures to Scentre Group, Brisbane Airport, ABN Amro, Macquarie Bank, and Suncorp Group were the main contributors. Exposures to Loy Yang Power and Charter Hall Long Wale REIT were the main detractors.

During the quarter, the Fund participated in primary issuance from AGI Finance, BPCE, BNP Paribas, Charter Hall Long Wale REIT, CHC Finance, Lendlease, Transurban, Macquarie Bank, and Bank of Queensland.

Portfolio Positioning

Current positioning has our credit exposures generating a strong level of excess yield, whilst not being overly exposed to any potential future bouts of volatility. More recently, we have been taking profit on exposures that have traded within our expectations of fair value and have added some credit derivative protection against a mild selloff. Despite this recent action, over the medium term, we continue to anticipate that credit spreads will ultimately tighten modestly in a technically driven manner, mainly due to the supply versus demand dynamic and the reach for yield.

Our fundamental sector and stock selection process continues to emphasise quality issuers whose credit profiles are supported by strong operating cash flows, sound liquidity profiles and an ability and commitment to maintain their credit ratings through this cycle.

Market Review

Australian long-dated government bond yields ended the June quarter substantially lower, resulting in a flattening in the longer dated segment of the domestic yield curve. In contrast, yields on bonds maturing shortly after the scheduled end of yield curve control remained relatively anchored, in part due to the May labour force survey, which showed a gain of 115,200 in the number of people employed. Employment has lifted by 8.1% from its level of a year ago, with indications that jobs growth across the economy has overcome any negative impact from the ending of the JobKeeper support program. The resurgence of COVID-19 and associated lockdown measures in several capital cities have yet to prompt a major yield reversal, but the situation remains fluid. The Commonwealth Government 10-year bond yield ended the quarter 26 basis points lower at 1.53% while its 2-year counterpart ended three basis points lower at 0.06%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, rose by 1.52% during the period, in Australian dollar terms.

Outlook

The monetary response of the Reserve Bank of Australia to the pandemic, which has entailed cutting its policy rate to a record low of 0.10%, and the introduction of quantitative easing driven asset purchases, has mostly kept the front end of the yield curve under control and provides attractive opportunities in the mid-curve for carry and roll. The government has promised further fiscal support where necessary post JobKeeper termination. While the Australian economy seems to be recovering at a rapid pace, it is unclear how much it may plateau from here. Inflation remains below target at this juncture and this is likely a factor in the central bank extending its asset purchase programme beyond its previously scheduled end date.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1322AU
AMP Flexible Super - Super	AMP1452AU
CustomSuper	AMP1289AU
Flexible Lifetime - Allocated Pension	AMP1296AU
Flexible Lifetime - Investments (Series 2)	AMP2037AU**
Flexible Lifetime - Super	AMP1289AU
SignatureSuper	AMP1303AU
SignatureSuper - Allocated Pension	AMP1310AU
SignatureSuper Select	AMP1303AU

**Closed to new and existing investors

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