

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

30 September 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 to 7 years
Relative risk rating	4/ Medium
Investment style	n/a
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	49	55
Aust. Fixed Interest	49	55
Cash	0	0

Sector Allocation	%
Government	64
Semi-Government	2
Agency	5
Investment grade corporates	13
High Yield	1
Securitized	1
Emerging Markets	11
Cash and Other	2

Regional Allocation	%
Australia/NZ	51
Japan	9
Europe – EMU	5
Europe – Non-EMU	6
United Kingdom	3
North America	20
Emerging Markets	5
Other	1

Top Holdings	%
Australian Government	24.97
Japanese Government	11.91
United States Government	11.34
Italian Government	6.20
Queensland (state of)	4.01
Victoria (state of)	2.96
New South Wales (state of)	2.48
China development bank	2.46
Forenet Kredit FMBA	2.31
Northern Territory Government of Australia	2.25

Portfolio Summary

- Over the quarter, the Diversified Fixed Interest strategy outperformed its benchmark (before fees) largely due to spread sector positioning
- Contributors to performance include positions in securitised assets including U.S. Agency & non-Agency MBS and overweight to senior and subordinated financials

Investment Option Commentary

Developed market yields rose sharply in the latter half of the quarter, driven by inflation concerns and anticipation of scaled back support from central banks. Australian yields generally fell, largely due to an increasing in delta-variant COVID cases and associated lockdowns. Credit spreads widened amid rising concerns surrounding the Delta variant, policy decision making in the U.S. and idiosyncratic disruptions from China. However, demand remains strong as investors continue to seek high quality income producing assets. The market continues to price in a faster expectation of RBA rate hikes than what the RBA has indicated.

Market Commentary

The global economic recovery continued at a slower pace but remained uneven across sectors, while central banks generally shifted toward less supportive stances.

While developed market yields generally rose over the quarter, Australian yields generally fell, largely driven by increasing COVID case numbers and more strict lockdowns as Australia's major cities dealt with a delta variant outbreak. Amidst this, the RBA did announce some reduction in monetary policy accommodation, however the overall monetary policy stance remains accommodative with the Board continuing to point to a 2024 timeframe for the expectation of normalisation of policy rates.

Outlook

PIMCO's baseline outlook for the cyclical horizon has the global economy continuing its uneven recovery in 2021 before shifting to a more moderate pace of above-trend growth in 2022. Since inflation follows growth with a lag, PIMCO project inflation in developed markets will also slow into the second half of 2022. While levels could remain elevated in the near-term, the factors that drove inflation higher should dissipate over the course of the next year. However, PIMCO are mindful that longer-term inflation expectations could accelerate further. Meanwhile, several developed market central banks have already begun tapering asset purchase programs and PIMCO expect that others will likely follow.

Availability

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

**Closed to new and existing investors

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