

AMP Capital Corporate Bond

Quarterly Investment Option Update

30 September 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	2.47
Australian Fixed Interest	93.25
Cash	4.28

Sector Allocation	%
Investment Grade Corporate	82.87
Agency MBS	10.26
Cash	5.51
High-Yield Corporate	1.47
ABS (Non-Mortgage)	0.92
Government Agencies/Regionals	0.19

Top Holdings	%
Australia & New Zealand Banking Group Ltd	3.09
BPCE SA	3.07
National Australia Bank Ltd	2.94
WESTPAC BANKING CORP	2.90
BANCO SANTANDER SA	2.87
FirstMac Mortgage Funding Trus	2.76
COMMONWEALTH BANK AUST	2.56
BANK OF MONTREAL	2.40
Sumitomo Mitsui Financial Grou	2.26
TORONTO-DOMINION BANK	2.02

Quality Allocation	%
BBB	44.10
A	35.10
AAA	12.06
Cash	5.51
AA	2.79
BB	1.47
Agency/Government	0.19

Fund Performance

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

The Fund had a positive quarter, with a strong contribution from credit positioning and a further benefit from credit spread movements. The Fund saw some modest gains from interest rate positioning, reflecting the contribution from duration management.

At the sector level, allocations to diversified financials, subordinated banks and real estate were the top performers. There were no detractors.

At the security level, exposures to Macquarie Bank, Banco Santander and Suncorp Group were the main contributors. Exposures to Charter Hall Long Wale REIT, AusNet Services Holdings and Westconnex Finance Company were the only material detractors.

During the quarter, the Fund participated in primary issuance including but not limited to Commonwealth Bank of Australia, SCA Property Group, Woolworths Group, Firstmac Mortgage Funding Trust 2021-3, Harvey Trust Series 2021-1, Qantas Airways and ElectraNet.

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 complimentary dynamics of supply versus demand and 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

Domestic yields moved lower for most of the September quarter as a deteriorating COVID-19 situation led to the progressive expansion of ongoing lockdown measures across much of Eastern Australia. The economic impact was particularly evident in high-frequency measures of activity, such as hospitality and entertainment, which sank to depressed levels. The decline in yields was largely reversed in September amid cautious optimism regarding business conditions and the RBA saying that the Delta variant has "delayed, but not derailed, the recovery". With the economy expected "to return to its pre-Delta path by mid-2022", the central bank maintained its view that the "central scenario" for an increase in the cash rate "will not be met before 2024". The Commonwealth Government 10-year bond yield ended the quarter four basis points lower at 1.49% while its 2-year counterpart ended two basis points lower at 0.04%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, rose by 0.31% during the period, in Australian dollar terms.

Outlook

The Reserve Bank of Australia has said they are looking to see sustained wages growth above 3% to give them confidence that an increase in inflation will be sustained and broad based. The central bank forecasts do not show this being achieved within the tenor of the April 2024 yield curve control horizon. However, some have made the point that the lack of foreign migrants could see the labour market tighten more than the central bank has forecast leading to an earlier hiking cycle as their wage growth targets are achieved. This upbeat assessment saw the central bank taper asset purchases following their July meeting, but the lockdowns will see a contraction in third quarter growth, and this has tempered some hawkish early rate hike calls.

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 1)	AMP0012AU**
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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