

Australian Fixed Interest Index

Quarterly Investment Option Update

31 March 2023

Aim and Strategy

The strategy aims to provide returns that closely match the Bloomberg AusBond Composite 0+ Yr Index with net dividends reinvested before fees and taxes. Exposure to the Australian fixed interest asset class will be attained through the use of low cost index-focused investment managers.

Investment Option Performance

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

Investment Option Overview

Investment category	Australian Fixed Interest
Suggested minimum investment timeframe	3 years
Standard Risk Measure	4/Medium
Investment style	Index
Manager style	Single

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

Top Holdings	%
AUSTRALIAN GOVERNMENT	53.88
TREASURY CORP VICTORIA	7.87
NEW S WALES TREASURY CRP	7.28
QUEENSLAND TREASURY CORP	6.78
WESTERN AUST TREAS CORP	2.58
SOUTH AUST GOVT FIN AUTH	1.80
KFW	1.07
EUROPEAN INVESTMENT BANK	0.99
INTL FINANCE CORP	0.97
ASIAN DEVELOPMENT BANK	0.81

Fund Performance

The Fund produced a very strong return for the March quarter, as yields were volatile and fell over the period.

Market Review

Australian bonds were choppy over the March quarter and accompanied their global peers with falling, but volatile yields, as the market narrative evolved from pricing in positive disinflationary outcomes, to higher RBA cash rates due to inflation remaining uncomfortably above target, and eventually to growth concerns and fallout from pockets of global banking stress. Australian 10-year government bonds rallied 0.75% over the March quarter, to 3.30%. Credit spreads, the required compensation above the risk free rate, spiked higher following the US banking stress, but remained lower than the previous highs seen in the final quarter of 2022, an acknowledgement by the market of the relative strength of the Australian banking sector.

Alongside many global peers, the focus for the RBA over the quarter was the commitment to tightening monetary conditions in order to return elevated inflation towards targeted levels. Following ten consecutive hikes over the prior 12 months, which saw the RBA cash rate target rise from 0.10% to 3.60%, the RBA decided to leave the rate unchanged in the April meeting, citing tighter financial conditions due to the cumulative rate hikes, as well as the passthrough effect of higher cash rates into the real economy amid a highly indebted housing market.

The strong rally (fall) in yields resulted in a 4.60% gain in Australian bonds over the quarter, as measured by the Bloomberg AusBond Composite (All Maturities) Index. Despite a fall in inflation-adjusted real yields, the inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) Index, returned 6.82% over the same timeframe, due to the higher duration (interest rate sensitivity) of the index.

Outlook

While further interest rate hikes are still possible, the RBA has paused its rate hikes in a bid to reduce downside risks to the economy as well as to allow for time-lags involved with monetary changes influencing the economy. Furthermore, high household debt levels and a large share of variable rate loans in Australia have made the cumulative rate hikes more potent, relative to many overseas economies. Recession in the year ahead remains a reasonable possibility, as delayed impacts of recent rate rises come further into play.

Availability

Product Name	APIR
SignatureSuper	AMP1300AU
SignatureSuper - Allocated Pension	AMP1307AU
SignatureSuper Term Pension	AMP1307AU*

*Closed to new investors

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