



# Specialist Diversified Fixed Income

Quarterly Investment Option Update

30 June 2023

## Aim and Strategy

The strategy aims to provide total returns (interest income and capital growth) after costs and before taxes, above the performance benchmark (60% - Bloomberg AusBond Composite 0+ Yr Index / 40% - Bloomberg Global Aggregate Bond Index (hedged to Australian dollars)), on a rolling 3-year basis. The strategy provides exposure to a diversified portfolio of Australian and international fixed income securities including government securities, government-related securities, inflation-linked securities, corporate securities, asset-backed securities, cash, derivatives and foreign currency. The strategy diversifies manager risk across a range of investment managers by using a multi-manager approach. Exposures are to managers who demonstrate competitive advantages, within the various investment styles used when investing in the Australian and international fixed income markets.

## Investment Option Performance

To view the latest investment performances for this product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

|   |                       |
|---|-----------------------|
| <b>Investment category</b>                    | Global fixed interest |
| <b>Suggested minimum investment timeframe</b> | 3 years               |
| <b>Standard Risk Measure</b>                  | 4/Medium              |
| <b>Investment style</b>                       | Active                |
| <b>Manager style</b>                          | Multi-manager         |

| <b>Asset Allocation</b>   | <b>Benchmark (%)</b> |
|---------------------------|----------------------|
| Cash                      | 0                    |
| Australian fixed interest | 60                   |
| Global fixed interest     | 40                   |

| <b>Actual Allocation</b>     | <b>%</b> |
|------------------------------|----------|
| International Fixed Interest | 41.99    |
| Australian Fixed Interest    | 57.93    |
| Cash                         | 0.08     |

  

| <b>Region Allocation</b> | <b>%</b> |
|--------------------------|----------|
| Australasia              | 99.92    |
| Cash                     | 0.08     |

## Fund Performance

The Fund posted a negative return for the quarter and underperformed the benchmark (before fees)

Within the Australian bonds sector, Macquarie underperformed its benchmark and delivered a negative absolute return. Most of this underperformance was generated in June, amid rate volatility and a widening in credit spreads, which caused a natural increase in the Fund's duration.

Schroders also produced a negative absolute return and slightly underperformed its benchmark. The manager's long duration positioning relative to the benchmark was the main driver of the underperformance, as bond prices fell as previous fears around the banking sector faded and the global economy continued to surprise slightly on the upside.

Within the global bonds sector, PIMCO was negative in absolute terms, marginally underperforming its benchmark. Security selection aided performance towards the end of the period, though currency selection detracted from the return mid-quarter.

## Market Review

During the June quarter, fixed income markets experienced some further bouts of uncertainty subsequent to the turmoil from US regional bank failures in mid-March. Persistent inflationary pressures meanwhile continued, while central banks remained steadfast in their commitment to reining in inflation. While headline inflation receded in the quarter, core inflation displayed a resilient nature, both in the United States and Europe. Consequently, central banks responded by implementing further policy rate increases. The Fed raised rates by 25 basis points in May and projected the possibility of further rate hikes for the remainder of the year through their dot plot guidance. Similarly, the ECB enacted rate increases of 25 basis points in both May and June amid some resilient economic indications.

The elevated inflationary environment exerted pressure on sovereign bonds during the June quarter, as bond yields rose aggressively. US treasuries and German bunds experienced declines, albeit to varying degrees, while UK gilts encountered the most pronounced performance deterioration. This underperformance was driven by unexpected inflationary upticks in the UK, where the CPI inflation rate ranked highest among G7 nations, coupled with a 50 bps hike in June and a 25 bps hike in May by the Bank of England.

Against this backdrop, corporate balance sheets remained relatively strong, despite some uptick in default rates. Global high yield outperformed global investment grade, as immediate recessionary concerns were pared back a little. Global bonds, as measured by the Bloomberg Global Aggregate Index (\$A hedged), returned -0.30% over the quarter. Global investment grade and high yield credit meanwhile returned -0.38% and 1.56% respectively, as measured by the Bloomberg Global Aggregate Corporate Index (\$A hedged) and Bloomberg Global High Yield Index (\$A hedged).

## Outlook

Inflation, the path of interest rate movements and recession are likely to continue to be the dominant themes driving bond markets over the medium-term. After long, drawn-out falls in bond prices in recent years, yields now have reverted to more attractive valuation levels. We therefore believe there is scope for improved returns from the asset class over the shorter to medium-term.

---

## Availability

| Product Name                               | APIR        |
|--|-------------|
| Flexible Lifetime - Investments (Series 2) | AMP1991AU** |
| SignatureSuper                             | AMP1975AU   |
| SignatureSuper - Allocated Pension         | AMP1977AU   |
| SignatureSuper Term Pension                | AMP1977AU*  |

\*Closed to new investors

\*\*Closed to new and existing investors

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



### What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super) or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.