

# Australian Fixed Interest Index\*

Quarterly Investment Option Update

30 June 2016

\*This option is named "Super Easy Australian Fixed Interest" under the AMP Flexible Super product line

## Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1333AU*
AMP Flexible Super – Choice (Super)	AMP1505AU*
CustomSuper	AMP1286AU
Flexible Lifetime – Allocated Pension	AMP1293AU
Flexible Lifetime – Super	AMP1286AU
Signature Super	AMP1300AU
Signature Super – Allocated Pension	AMP1307AU

## Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au). You can also view the last investment performance specific to you by visiting your My Portfolio account.

## Contact Us

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## Overview

**Aim & Strategy:** To provide returns over the long term in line with an appropriate index by investing in Australian Fixed Interest. Exposure to this asset class will be attained through the use of index focused investment managers. The strategy aims to provide returns that track the UBS Composite Bond Index with net dividends reinvested. Currently managed by State Street Global Advisors.

**Investment category:** Fixed Interest – Core Fixed Interest

**Suggested Investment Timeframe:** 3 years

**Relative Risk Rating:** Low

**Investment Style:** Index style

Rating Allocation	Fund(%)	Benchmark (%)
Aaa	73.7	73.9
Aa	19.2	19.1
A	5.7	4.8
Baa	1.5	2.0
Below Baa	-	0.03

Maturity Distribution	Fund%
0-1yr	3.9
1-3yrs	24.0
3-5yrs	25.3
5-7yrs	13.9
7-10yrs	20.1
10-20yrs	11.2
>20yrs	1.7

Sector Exposure	Fund%
Commonwealth Government	47.7
Semi Govt	25.2
Government Related	8.2
Supranational	8.1
Corp-Finance	5.6
Corp-Industries	3.7
Other	1.0
Corp-Util	0.4

Top Ten Securities	Maturity	ISIN	Weight
AUSTRALIAN GOVERNMENT	21-Apr-2026	AU000XCLWAI8	3.89%
AUSTRALIAN GOVERNMENT	21-Apr-2027	AU3TB0000135	3.58%
AUSTRALIAN GOVERNMENT	21-Apr-2025	AU3TB0000168	3.32%
AUSTRALIAN GOVERNMENT	15-Jul-2022	AU3TB0000051	3.19%
AUSTRALIAN GOVERNMENT	15-May-2021	AU0000XCLWM5	3.07%
AUSTRALIAN GOVERNMENT	21-Apr-2024	AU3TB0000143	3.01%

AUSTRALIAN GOVERNMENT	21-Apr-2023	AU3TB0000101	2.81%
AUSTRALIAN GOVERNMENT	15-Mar-2019	AU300TB01224	2.76%
AUSTRALIAN GOVERNMENT	15-Apr-2020	AU3TB0000036	2.74%
AUSTRALIAN GOVERNMENT	21-Oct-2019	AU3TB0000184	2.53%

## Market Commentary

The Australian bond market posted strong returns over the month. As with global markets, Australian bond yields rallied early in the month as investors responded to “Brexit” uncertainty, sold off as the market priced in a “Remain” vote, and then rallied hard into the end of the month with the realisation of the unexpected “Leave” vote.

However, unlike offshore markets the domestic market did this in the face of relatively positive economic indicators. To begin the month, the RBA kept its official rate unchanged at 1.75%. While this was generally expected the lack of forward guidance regarding an easing bias suggested to some that the RBA may be done in this current easing cycle. The release of key data in the first half of the month gave some support to this line of thinking. The March Quarter GDP came in stronger than expected at 1.1% qoq (exp 0.8%) and at 3.1% yoy (exp 2.8%). This was followed by solid retail sales, a stabilising in house price movement and an improving Business Confidence outlook. Finally, the May Employment released recorded an additional 17.9k jobs added versus an expected 15k and a steady unemployment rate of 5.7%. While there was some comment about the bias towards part-time employment in the numbers, the underlying trend for employment remains solid.

While the underlying economy remained solid and the RBA on hold, the longer end of the curve could not remain immuned to the developments in offshore markets. This saw the domestic 3-10 spread flattened by 23bps as the short end of the curve responded to the RBA’s outlook but the long end moved in line with the “Brexit” inspired rally. However, the fact the Australian long end underperformed the US 10yr bond, resulting in a 6bp widening of the 10yr spread, most likely reflects some recognition of the better economic reports release in domestically versus the US.

While the RBA’s hurdle to cut rates further appears quite high, it has also been made clear they will act if the economic outlook warrants it. The domestic recovery continues, albeit at a slow pace, and the RBA will want to ensure they do all they can to foster an environment that supports this recovery. The RBA will continue to monitor market developments closely, with a special focus on global growth forecasts post-Brexit, signs of prolonged appreciation in the currency and the on-going outlook for domestic inflation expectations. Negative developments in any or all of these factors could see the RBA look to provide further support to the domestic economy.

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