

Franklin Templeton Multi Sector Bond



Quarterly Investment Option Update

30-June-2016

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1871AU
Flexible Super – Choice (Super)	AMP1867AU
Flexible Lifetime – Allocated Pension	AMP1855AU
Flexible Lifetime – Super	AMP1851AU
Signature Super	AMP1859AU
Signature Super – Allocated Pension	AMP1863AU

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. You can also view the last investment performance specific to you by visiting your My Portfolio account.

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Overview

Aim & Strategy: To maximise total investment returns consisting of a combination of interest income, capital appreciation and currency gains. The benchmark is the Barclays Capital Multiverse Index (Hedged into AUD).

The portfolio will seek to achieve its objective by investing primarily in a portfolio of fixed income securities and debt obligations of government, government-related, securitised and corporate issuers worldwide.

Sub-investment grade exposure may be up to 50% of the portfolio and may take the form of Emerging Market Debt or High Yield credit exposure.

The portfolio may also invest in securities linked to the assets or currencies of any nation. The portfolio may purchase foreign currency denominated fixed income securities and debt obligations and may also invest in derivatives.

Investment category: Diversified Fixed Interest

Suggested Investment Timeframe: 3 years

Relative Risk Rating: Medium

Investment Style: Active

Asset Allocation	Benchmark (%)	Range (%)
Fixed Interest		0-100
Cash		0-100

Holdings

Industry Exposure	%
International Government / Agency Bonds	79.13
Corporate Bonds	0.37
Sovereign Bonds	12.21
Convertibles	0.25
Derivatives	(5.51)
Cash & Cash Equivalents	13.55

Regional Exposure	%
Australia / NZ	0.00
Japan	0.00
Developed Asia (ex Japan)	0.00
Europe (ex-UK)	4.78
United Kingdom	0.01
North America	0.29
Middle East & Africa	0.93
Emerging / Frontier Europe	12.89
Latin & South America	33.78
Emerging / Frontier Asia	32.87
Other	14.45

Top Ten Securities	%
Korea Monetary Stabilization Bond, senior note, 2.07%, 12/02/16	6.53
Government of Mexico, senior note, M, 5.00%, 6/15/17	4.71
Government of Mexico, 7.25%, 12/15/16	3.64
Government of Malaysia, senior note, 3.394%, 3/15/17	3.49
Government of Indonesia, senior bond, FR53, 8.25%, 7/15/21	3.44
Government of Portugal, Reg S, 5.125%, 10/15/24	2.96
Government of Malaysia, senior bond, 4.262%, 9/15/16	2.94
Letra Tesouro Nacional, Strip, 7/01/19	2.53
Government of Indonesia, senior bond, FR56, 8.375%, 9/15/26	2.30
Government of Serbia, Reg S, 7.25%, 9/28/21	2.25

Market Commentary

During the second quarter, risk aversion escalated sharply across global financial markets after the United Kingdom's (UK's) referendum vote (23 June) to leave the European Union (EU). Consequently, yields broadly declined and finished lower for the month across much of Europe, Asia ex Japan and the Americas. The yield on the 10-year US Treasury note declined 38 basis points (bps) to 1.47%.

Investment Option Commentary

In June, currency positions detracted from the portfolio's absolute performance. Interest-rate strategies and overall credit exposures had largely neutral effects on absolute results. Amongst currencies, the portfolio's net-negative positions in the Japanese yen and the Australian dollar detracted from absolute performance. However, currency positions in Latin America (the Brazilian real and Colombian peso) and Asia ex Japan (the Malaysian ringgit and Indonesian rupiah) contributed to absolute results. The portfolio's net-negative position in the euro had a largely neutral effect on absolute performance. The portfolio maintained a defensive approach regarding interest rates in developed and emerging markets. Negative duration exposures to US Treasuries detracted from absolute results, while select duration exposures in Latin America (Brazil) and Asia ex Japan (Indonesia) contributed.

Outlook

Although the UK's decision to leave the EU may give rise to intermittent periods of market volatility, we continue to see a subset of emerging markets that we think have excellent value and better underlying fundamentals than markets have been indicating. Despite renewed concerns for global growth by several market participants, we continue to anticipate US growth of around 2.0% for 2016 and inflation to rise closer to 3% near the end of the year.

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