

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

30-June-2016

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1787AU
AMP Flexible Super – Choice (Super)	AMP1793AU
CustomSuper	AMP1817AU
Flexible Lifetime – Allocated Pension	AMP1811AU
Flexible Lifetime – Investments (Series 1)	
Flexible Lifetime – Investments (Series 2)	
Flexible Lifetime – Super	AMP1817AU
SignatureSuper	AMP1805AU
SignatureSuper – Allocated Pension	AMP1799AU

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 achieve maximum total return by investing in Australian and international bonds. The portfolio

applies a wide range of diverse strategies, concentrating on two sources of return: sector allocation and rotation, and “bottom up” credit analysis for securities. Sector allocation is driven by the manager’s short-term and long-term economic outlook based on fundamentals such as productivity and interest rates. “Bottom up” credit analysis assesses the quality of securities based on cash flows, capital structure and qualitative factors of the issuer, and industry dynamics. Other portfolio strategies include duration, relative value analysis and security selection. The portfolio invests in indirect and direct government, corporate, mortgage and other fixed interest securities. It invests predominantly in investment grade securities but may also invest in non-investment grade fixed interest securities and emerging market debt. The benchmark is comprised of 50% Barclays Capital Global Aggregate Bond Index (Hedged into Australian dollars) and 50% UBS Australian Composite Bond Index.

Investment category: Diversified Fixed Interest (Australian and International Fixed Interest)

Suggested Investment Timeframe: 5 – 7 years

Relative Risk Rating: Medium

Investment Style: Actively managed, defensive profile with focus on capital protection and income generation

Asset Allocation	Fund (Duration %)	Benchmark (Duration %)
International Fixed Interest	54	57
Australian Fixed Interest	46	43

Holdings

Industry Exposure	Duration %
Government	56
Semi-Government	12
Agency	7
Investment grade corporates	12
High Yield	1
Securitised	9
Emerging Markets	2

Regional Exposure	Duration %
Australia/NZ	46
Japan	14
Europe – EMU	14
Europe – Non-EMU	2
United Kingdom	6
North America	17
Emerging Markets	1

Top Ten Physical Issuers	Duration %
Australian Government	29.43
United States Government	23.35
Japanese Government	8.26
Italian Government	7.04
Queensland (state of)	5.20
French Government	3.89
United Kingdom Government	3.86
FNMA Pass Thru Pools	3.64
Spanish Government	1.83
Province of Ontario, Canada	1.80

Market Commentary

The unexpected outcome of the U.K. referendum dominated headlines and market movements near the end of the second quarter. The fundamental global backdrop however remained mostly intact and expectations for further central bank easing helped anchor risk appetite. Australia's Q1 CPI release came in well below consensus which proved to be a decisive factor in the RBA cutting its target cash rate to an all-time low of 1.75% in May. Further, the RBA in its Statement of Monetary Policy cut their CPI forecasts, citing more fundamental reasons for the low inflation number over the longer term.

Investment Option Commentary

Over the quarter, the strategy outperformed as interest rate, spread sector, and currency strategies contributed. Overweight positions in non-Agency MBS, corporate credit, as well as long exposure to Brazilian real added to performance. A long position to Australian duration contributed, while positions in U.S. TIPS breakeven spreads detracted from performance during the quarter.

Outlook

We expect global economic and policy divergence will continue to provide a mix of risks, opportunities and volatility. In the U.S., we expect above-trend economic growth over the year. In Europe, uncertainty following the vote to "Brexit" will weigh on the U.K.'s economy. The growth engine of the Australian economy is pivoting from mining to housing, which can be characterised as moving from a sector where Australia had a legitimate comparative advantage to a sector where it has a comparative disadvantage. This, accompanied by instability from China and commodities and a weak inflation outlook suggests an extended period of RBA accommodation.

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