

# PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

31-December-2017

## 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](http://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	Actual (%)	Range (%)
International Fixed Interest	48	
Australian Fixed Interest	52	

## Holdings

Industry Exposure	%
Government	47
Semi-Government	13
Agency	5
Investment grade corporate	12
High Yield	1
Securitized	14
Emerging Markets	2
Cash and other	6

Regional Exposure	%
Australia/NZ	52
Japan	2
Europe – EMU	14
Europe – Non-EMU	4
United Kingdom	-1
North America	28
Emerging Markets	1
Other	-2

Top Ten Securities	%
Australian Government	32.48
United States Government	24.74
Japanese Government	6.22
Western Australia (state of)	6.20
FNMA Pass Thru Pools	4.96
Queensland (state of)	4.90
German Government	4.70
Italian Government	3.97
United Kingdom Government	2.96
Kommunalbanken A/S	1.69

## Market Commentary

Accelerating global economic growth, strong corporate earnings, and increased business confidence propelled global equity markets and contributed to credit spreads tightening. Australia's data impulse also finished the year on a positive footing as local rates finished higher over the month. While employment, retail sales and confidence data were positive over the month, household consumption as a contributor to GDP growth surprised to the downside. The RBA kept the official Australian cash rate steady again in December, making 2017 only the fourth calendar year on record where the RBA has not moved policy rates.

## Investment Option Commentary

Over the quarter the Diversified Fixed Interest strategy marginally under-performed relative to its benchmark as spread sector positioning contributed while duration and curve positioning detracted from relative performance.

## Outlook

The Fund expects strong, globally synchronized growth and low inflation to persist in 2018. However, key risks remain for the year ahead. By positioning defensively, the fund manager believes it will be better prepared to take advantage of potential opportunities presented in more difficult market conditions. In an environment in which a "Goldilocks-extended" scenario is fully baked into consensus and asset prices, the Fund seeks relative value and maintain optionality to add risk in the event of market turbulence.

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