

Australian Fixed Interest*

Quarterly Investment Option Update

30-June-2018

*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. 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 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 UBS Asset Management (Australia) Ltd.

Investment category: Fixed Interest – Core Fixed Interest

Suggested Investment Timeframe: 3 years

Relative Risk Rating: Low

Investment Style: Index style

Rating Allocation	Actual (%)	Benchmark (%)
AAA	73.16	73.86
AA	19.62	19.14
A	4.98	4.73
BBB	2.03	2.26
Below BBB	-	-
NR	0.21	0.01

Holdings

Maturity Distribution	%
0-1yr	6.68
1-3yrs	24.90
3-5yrs	18.15
5-7yrs	13.93
7-10yrs	21.88
>10yrs	14.47

Sector Exposure	%
Treasury / Sovereign / GovInflLink	50.11
Semi Govt	23.15
Government Related	16.38
Corporate	9.58
Asset Backed	0.57
Other	0.21

Top Ten Securities	%
AUSTRALIA 4.25000% 14-21.04.26	3.63%
AUSTRALIA 4.75000% 11-21.04.27	3.52%
AUSTRALIA 5.75000% 07-15.05.21	3.08%
AUSTRALIA-REG-S 3.25000% 13-21.04.25	2.88%
AUSTRALIA 5.50000% 11-21.04.23	2.84%
AUSTRALIA 5.75000% 10-15.07.22	2.83%
AUSTRALIA-REG-S 2.75000% 16-21.11.27	2.82%
AUSTRALIA 4.50000% 09-15.04.20	2.68%
AUSTRALIA 1.75000% 15-21.11.20	2.65%
AUSTRALIA 2.75000% 12-21.04.24	2.59%

Market Commentary

- Bond markets gain with concerns around geopolitics and global trade tensions
- Australian 10 year government bond yields broadly flat, US 10 year yields step higher

Developed global bonds benefitted from a risk-off move over the second half of Q2, returning positive performance over the quarterly period. The Bloomberg AusBond Composite 0+ Yr Index returned 0.82%. The Semi-Government Index was a strong performer of the sub-indices, gaining 0.98%. The Treasury Index returned 0.77% and the Supra-Sovereign Index added 0.81%. The Bank Bill Index was 0.49% higher of the quarterly period.

Geopolitics was the key theme through the quarter. Political instability in Italy hit investor sentiment over May with concerns that a new populist government would entail removing Italy from the Eurozone. Global trade tensions were also re-introduced in May as the US proposed tariffs on metal imports from the EU, Canada and Mexico. The risk of trade wars escalated in June as the Trump administration announced a 25 per cent tariff on approximately US\$50bn worth of Chinese imports, which was met by a swift retaliatory response from China to impose tariffs on US\$34bn worth of American goods. Markets also took notice of the developing divergence in monetary policy stance across major central banks. In June, a hawkish US Fed hiked rates and signalled two more rate hikes for the remainder of 2018, which was in contrast to a dovish ECB that extended asset purchases to the end of December and indicated that policy settings would remain accommodative well into 2019.

Australian government bond yields ended broadly flat quarter-on-quarter, with Australian 3 year bonds barely adding 1bp and 10 year yields up slightly by 3bps. In the US, 3 year treasury yields were 24bps higher over the quarter and 10 year treasury yields added 12bps. The spread between Australian and US 10 year treasuries fell 8bps to close the quarter at negative 22bps.

The Australian credit index returned 0.73% while the credit spread of the BoA-Merrill Lynch Australian Corporate Index over the government yield widened 11bps to 108bps by the end of the quarterly period.

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