

# AMP Australian Bond

## Quarterly Investment Option Update

30 September 2018

### Aim and Strategy

To provide a total return (income and capital growth) above the Bloomberg AusBond Composite 0+ Yr Index on a rolling 12-month basis. The portfolio invests primarily in Australian government bonds and credit securities and the portfolio may also invest in global fixed income securities, and derivatives in global fixed income markets, which may include a small exposure to emerging markets. Exposure to global fixed interest securities will principally be hedged back to Australian dollars.

### Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

### Investment Option Overview

<b>Investment category</b>	Australian fixed interest
<b>Suggested investment timeframe</b>	2 years
<b>Relative risk rating</b>	Low - Medium
<b>Investment style</b>	Active

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian fixed interest	100
Cash	0

<b>Top Holdings</b>	<b>(%)</b>
AUSTRALIAN GOVERNMENT	20.69
QUEENSLAND TREASURY CORP	9.58
WESTERN AUST TREAS CORP	4.35
NEW S WALES TREASURY CRP	3.94
INTER-AMERICAN DEVEL BK	2.68
SOUTH AUST GOVT FIN AUTH	2.13
Australia & New Zealand Banking Group	2.00
Westpac Banking Corp	1.87
National Australia Bank Ltd	1.66
SUNCORP-METWAY LTD	1.48

<b>Quality Allocation</b>	<b>%</b>
Agency/Government	28.69
Treasury	20.69
A	17.53
BBB	16.10
AAA	8.48
AA	5.78
BB	1.42
Cash	1.40
CCC	0.16
Not Rated	-0.25

## Portfolio Summary

- > The Fund posted a positive return (before fees) during the September quarter and outperformed its benchmark.
- > We expect the Reserve Bank of Australia to remain on hold for a prolonged period.

## Fund Performance

The Fund posted a positive return (before fees) and outperformed its benchmark during the September quarter. The outperformance was assisted by exposure to semi-government securities, which outweighed the negative impact overall from interest rates positioning. Long duration positions in the longer-dated segment of the US yield curve also detracted.

## Market Commentary

Government bond yields in Australia followed a similar path to their overseas counterparts to drift higher in July before retracing somewhat when weak inflation data for the June quarter was confirmed. In August, bond yields were lower, driven by geopolitical factors such as ongoing global trade tensions and political instability domestically which saw the replacement of the Prime Minister. September saw this trend reverse, with local bond yields rising amid a broad bond market sell-off, as better than expected economic data globally was buoyed by stronger domestic economic growth results for the June quarter and improving labour market measures. The Commonwealth Government 2-year bond yield ended the quarter at 2.03%, while the Commonwealth Government 10-year bond yield ended at 2.67%.

## Outlook

Australian yields continue to trade at a premium to those available in Japan and Europe, making Australian sovereign fixed income and corporate credit relatively attractive from an international and yield perspective. The Reserve Bank of Australia has a short-term neutral policy in regards to the timing and direction of interest rate changes. However, conflicting economic pressures and a low inflationary environment mean it is too early to be considering interest rate hikes. Housing market and household debt levels continue to be an area for concern.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0343AU
AMP Flexible Super - Retirement account	AMP1319AU
AMP Flexible Super - Super account	AMP1449AU
AMP Growth Bond	AMP1188AU
CustomSuper	AMP0343AU
Flexible Lifetime - Allocated Pension	AMP0590AU
Flexible Lifetime - Term Pension	AMP0890AU
Flexible Lifetime - Investments (Series 1)	AMP1048AU
Flexible Lifetime - Investments (Series 2)	AMP1388AU
SignatureSuper	AMP0738AU
SignatureSuper - Allocated Pension	AMP1128AU

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