

Franklin Templeton Multi-Sector Bond

Quarterly Investment Option Update

31 March 2019

Aim and 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 Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested investment timeframe	3 Years
Relative risk rating	Medium
Investment style	Active

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest		80.15%
Aust. Fixed Interest		
Cash		19.85%

Sector Allocation	%
International Government / Agency Bonds	78.74
Corporate Bonds	0.01
Sovereign Bonds	2.34
Derivatives	(0.94)
Cash & Cash Equivalents	19.85

Regional Allocation	%
Australia / NZ	0.00
Japan	0.00
Developed Asia (ex Japan)	0.00
Europe (ex-UK)	0.01
United Kingdom	0.00
North America	(0.94)
Middle East & Africa	1.04
Emerging / Frontier Europe	0.49
Latin & South America	46.96
Emerging / Frontier Asia	27.89
Other	24.56

Top Holdings	%
INDONESIA GOVERNMENT 7.00% 05/15/2022	7.65
KOREA TREASURY BOND 1.875% 03/10/2022	6.42
LETRA TESOURO NACIONAL 01/01/2020 STRIP COUPON	6.27
MEXICO CETES 05/23/2019 TBLM	4.90
MEXICAN FIXED RATE BONDS 5.00% 12/11/2019	4.62
THAILAND GOVERNMENT BOND 5.50% 08/13/2019	3.36
FEDERAL HOME LOAN BANK DISCOUNT NOTES 04/01/2019 AGCD	3.08
OTC SECURITIZED MARGIN CASH - USD 0.00000 02/20/2049 USD	2.83
BANK OF THAILAND BOND 1.95% 11/26/2020	2.80
MEXICO CETES 07/18/2019 TBLM	2.77

Portfolio Summary

- The portfolio's positive absolute performance was primarily attributable to currency positions.
- The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets.
- Overall, The fund manager continues to maintain low portfolio duration while aiming at a negative correlation with UST returns. Looking ahead, they anticipate wage and inflation pressures in the US to drive UST yields higher.

Investment Option Commentary

In the first quarter of 2019, the portfolio's positive absolute performance was primarily attributable to currency positions. Interest-rate strategies detracted from absolute results, while overall credit exposures had a largely neutral effect. Amongst currencies, the portfolio's net-negative positions in the euro and the Japanese yen contributed to absolute results. Currency positions in Latin America also contributed to absolute performance (the Mexican peso contributed, while the Argentine peso detracted). However, currency positions in Africa (the Ghanaian cedi) detracted from absolute results. The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Negative duration exposure to USTs detracted from absolute performance, as did select duration exposures in Latin America (Argentina).

Market commentary

Global financial markets largely stabilised early in the first quarter of 2019, recovering from the heightened volatility in December. Some of the strongest rallies in January were seen across emerging markets, most notably in Latin America. Most global currencies initially strengthened against a broadly weaker US dollar in January, before the trend sharply reversed in February and March. On the whole, the US dollar broadly strengthened against a number of developed and emerging market currencies over the full quarter. The 10-year US Treasury (UST) note's yield fell 28 basis points during the quarter, ending the period at 2.41%. In late March, the UST yield curve temporarily inverted from the three-month UST bill to the 10-year UST note for the first time since 2007.

Outlook

In the US, the Fund Manager expects ongoing labour market strength and continued expansion of the US economy. US growth is likely to moderate from its 2018 pace, but remain at or above potential in 2019, in their view. Overall, the Fund Manager sees a subset of countries with domestically strong economies that have demonstrated their resiliencies to global shocks, including potential trade disruptions. They are focused on specific countries that are less externally vulnerable and more domestically driven, and that have orthodox fiscal and monetary policies. The Fund Manager sees additional scope for strengthening valuations in specific countries. In Europe, growth continues to show signs of moderation. They expect the euro to weaken against the US dollar given the differences in projected growth and the widening rate differentials between the US and the eurozone. The peak rate differential between the eurozone and the US is still ahead, in the Fund Manager's view.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1851AU
AMP Flexible Super - Retirement	AMP1871AU
AMP Flexible Super - Super account	AMP1867AU
CustomSuper	AMP1851AU
Flexible Lifetime - Allocated Pension	AMP1855AU
SignatureSuper	AMP1859AU
SignatureSuper Allocated Pension	AMP1863AU
SignatureSuper Select	AMP1859AU

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri. 8:30am to 7:00pm AEST)



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