

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

31 March 2019

Aim and Strategy

To achieve maximum total return by investing in Australian and overseas bonds, and to preserve capital through prudent investment management. PIMCO applies a wide range of diverse strategies including duration analysis, credit analysis, relative value analysis, sector allocation and rotation and individual security selection. PIMCO's investment strategy emphasises active decision making with a long-term focus and seeks to avoid extreme swings in duration or maturity with a view to creating a steady stream of returns. The portfolio invests in indirect and direct government, corporate, mortgage and other fixed interest securities, the portfolio may also hold cash. 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 Barclays Capital Global Aggregate Bond Index (hedged into Australian dollars) and 50% Bloomberg AusBond Composite 0+ Yr Index.

Investment Option Performance

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

Investment Option Overview

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	56	52
Aust. Fixed Interest	44	48
Cash	0	0

Regional Allocation	%
Australia/NZ	48
Japan	6
Europe – EMU	12
Europe – Non-EMU	2
United Kingdom	0
North America	31
Emerging Markets	0
Other	1

Sector Allocation	%
Government	47
Semi-Government	14
Agency	4
Investment grade corporates	12
High Yield	1
Securitised	14
Emerging Markets	4
Cash and Other	5

Top Holdings	%
Australian Government	29.77
United States Government	20.92
Japanese Government	10.15
FNMA Pass Thru Pools	7.89
Queensland (state of)	3.98
Western Australia (state of)	3.77
New South Wales (state of)	2.20
South Australia (state of)	1.12
Kommunalbanken A/S	1.08

Investment Category	Diversified Fixed Interest
Suggested investment timeframe	5 years
Relative risk rating	4 / Medium
Investment style	n/a

Victoria (state of)	1.68
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Portfolio Summary

Over the quarter, Diversified Fixed Interest strategy outperformed its benchmark largely due to a contribution from spread strategies while duration strategies detracted from performance.

Investment Option Commentary

The Fund outperformed its benchmark as selection within corporate credit, particularly a preference for financials contributed to performance. Performance was also driven by positions in non-Agency MBS and other securitized products, including European RMBS and covered bonds. Duration and curve positioning were also contributors to performance. An underweight to duration in Australia, the U.K. and Japan all detracted from performance, as well as country selection in the Eurozone.

Market commentary

Decelerating growth momentum persisted and contributed to global central banks shifting toward more accommodative stances. The Fed, after adopting a “patient” approach, lowered its outlook for rate hikes in 2019 to zero and signaled an end to its balance sheet unwind. Similarly, the RBA made a notable dovish shift in its monetary policy stance, specifically stating that the balance of increasing or decreasing cash rates were now more evenly balanced. The change in RBA’s rhetoric prompted the markets to price in almost two full rate cuts by the end of 2019. The dovish pivot, along with optimism over U.S.-China trade, contributed to both falling yields and generally robust risk appetites.

Outlook

PIMCO expects world GDP growth to slow to 2.5%–3% this year from 3.3% in 2018. However, with China increasing stimulus and a trade deal between the U.S. and China in the making, we think there is a good chance that global growth will stabilize or even pick up moderately later this year.

In Australia, while employment data remains robust, the domestic housing market remains a key downside risk. Additionally, household debt remains high and household consumption remains low. Labour market conditions and households’ access to credit will be important determinants of economic growth over the cyclical horizon.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1817AU
AMP Flexible Super - Retirement account	AMP1787AU
AMP Flexible Super - Super account	AMP1793AU
CustomSuper	AMP1817AU
Flexible Lifetime - Allocated Pension	AMP1811AU
Flexible Lifetime Investment (Series 2)	AMP2039AU
SignatureSuper	AMP1805AU
SignatureSuper Allocated Pension	AMP1799AU

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