

AMP International Bond

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the performance benchmark on a rolling 3-year basis. The benchmark is the Bloomberg Barclays Capital Global Aggregate Index in AUD (AUD Hedged). The portfolio provides investors with access to a diversified portfolio of short and long-term global fixed income securities. Generally, this portfolio is hedged to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Global fixed interest
Suggested minimum investment timeframe	3 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global fixed interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	99.45
Cash	0.55

Market Review

US government bond yields moved substantially higher over the course of the March quarter. The impetus for the rise came from US consumer price inflation, which rose to a multi-decade high, fuelling expectations that the US Federal Reserve may act sooner than previously expected in raising interest rates to address what it termed "elevated levels of inflation". These expectations eventuated in March when the target range for the Federal Funds Rate was increased from 0%-0.25%, where it had been for the last two years, to 0.25%-0.50%. The central bank cited strength in the labour market and "elevated" inflation as motivations for its action and set the stage for further increases, saying it "anticipates that ongoing increases in the target range will be appropriate". The US 10-year bond yield ended the quarter 83 basis points higher at 2.34%. The Japanese 10-year bond yield ended 14 basis points higher at 0.21% and the German 10-year bond yield rose by 73 basis points to 0.55%. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index (hedged), returned -4.98% for the period (in Australian dollar terms).

Outlook

The global economy has largely recovered from the COVID-19 recession that began in 2020, with widespread distribution of vaccines seeing global economic activity accelerate and assisting in the transition of the virus from pandemic to endemic. However, we are seeing large divergences across the globe, which have only been exacerbated by differing levels of exposure to the Russia-Ukraine crisis. While the US and Europe were the initial leaders in vaccination rollouts, much of the rest of the globe is steadily catching up (though poorer countries have a long way to go, with only 26% of population fully vaccinated as at early April). The economic effects of each new variant wave seem to be lessening, with the Omicron wave having far less of an impact than the previous Delta wave. The Russian invasion of Ukraine is driving a further surge in supply-side inflation and will complicate the recovery. Both global central banks and markets seemed to have turned their focus to inflation, with the Fed flagging the potential for multiple 50 basis point hikes in 2022. This raises the question of whether central banks have fallen too far behind the curve such that harnessing inflation brings a premature end to the cycle.

Availability

Product Name	APIR
SignatureSuper	AMP0344AU*
SignatureSuper - Allocated Pension	AMP0610AU*
SignatureSuper Term Pension	AMP0900AU*

*Closed to new investors

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