

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

31 March 2022

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/performance

Investment Option Overview

Investment Category	Diversified Fixed Interest
Suggested Investment timeframe	5 to 7 years
Relative risk rating	4/ Medium
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	50	49
Aust. Fixed Interest	50	51
Cash	0	0

Sector Allocation	%
Government	64
Semi-Government	2
Agency	6
Investment grade corporates	14
High Yield	1
Securitized	2
Emerging Markets	9
Cash and Other	3

Regional Allocation	%
Australia/NZ	51
Japan	8
Europe – EMU	6
Europe – Non-EMU	8
United Kingdom	2
North America	19
Emerging Markets	4
Other	2

Top Holdings	%
Australian Government	25.25
Japanese Government	9.12
United States Government	4.46
Italian Government	3.40
Queensland (state of)	3.33
Forenet Kredit Fmba	3.33
Victoria (state of)	2.93
Northern Territory (state of)	2.25
Western Australia (state of)	1.70
Spanish Government	1.54

Portfolio Summary

Over the quarter, the Diversified Fixed Interest Fund outperformed its benchmark, mainly due to interest rate and currency strategies.

Investment Option Commentary

Developed market yields broadly rose amid geopolitical uncertainty following the Russian invasion of Ukraine and rising inflationary pressures. In the U.S., yields rose and the curve inverted along several key tenors as the Fed hiked interest rates and signaled potentially larger hikes from here. Australian yields followed global moves, with labour figures contributing to the move. Australian credit spreads widened in Q1 alongside the broad “risk-off” sentiment across global markets. Mortgage credit, alongside most spread assets, also underperformed across the quality spectrum.

Market Commentary

Russia’s invasion of Ukraine – and the subsequent imposition of financial sanctions – added stress to already fragile global supply chains and amplified inflationary concerns. In response, central banks adopted more hawkish stances. Performance was challenged for both “safe-haven” and risk assets as global yields rose sharply over the quarter and risk sentiment waned.

While the Reserve Bank of Australia (RBA) kept rates steady over the quarter, the market priced in an accelerated path for RBA cash rate normalisation. The moves were exacerbated by strong employment figures confirmed over the quarter including a 4.0% unemployment rate and strong participation and total labour workers figures.

Outlook

Significant uncertainty clouds the outlook as the global economy confronts a shock that is negative for growth and will likely spur further inflation. In Pimco’s base case, growth remains above-trend in developed market economies – supported by the post-pandemic economic reopening and pent-up savings bolstering demand. Pimco expects that inflation will peak in the next few months before moderating gradually. However, there are obvious and significant risks to this outlook, especially if the war or the sanctions escalate further.

With the RBA cash rate tightening priced in and a reset higher in bond yields, Pimco believes the prospect for duration to provide defensive characteristics is more attractive.

Availability

Product name	APIR
SignatureSuper*	AMP1805AU
SignatureSuper Allocated Pension*	AMP1799AU
Flexible Lifetime Investment (Series 2)**	AMP2039AU

*Closed to new investors

**Closed to all investors

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