Specialist Diversified Fixed Income

Quarterly Investment Option Update

31 March 2025

Aim and Strategy

The strategy aims to provide total returns (interest income and capital growth) after investment fees and costs and before taxes, above the performance benchmark (60% - Bloomberg AusBond Composite Bond 0+ Yr Index / 40% - Bloomberg Global Aggregate Bond Index (hedged to Australian dollars)), on a rolling 3-year basis.The strategy provides exposure to a diversified portfolio of Australian and international fixed income securities including government securities, government-related securities, inflation-linked securities, corporate securities, asset-backed securities, cash, derivatives and foreign currency. The strategy diversifies manager risk across a range of investment managers by using a multi-manager approach. Exposures are to managers who demonstrate competitive advantages, within the various investment styles used when investing in the Australian and international fixed income markets.

Investment Option Performance

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

Investment Option Overview

Investment category	Global fixed interest
Suggested minimum investment timeframe	3 years
Standard Risk Measure	4/Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Cash	0
Australian bonds	60
Global bonds	40

Actual Allocation	%
Fixed Income	97.47
Cash	2.53

Region Allocation	%
Australasia	97.47
Cash	2.53

Fund Performance

The Investment Option posted a positive return for the March quarter, marginally outperforming the benchmark (before fees). Underlying manager performance was solid.

Within the Australian bonds sector, Macquarie outperformed their benchmark, largely due to security selection, particularly towards the end of the period.

Schroders meanwhile matched their benchmark over the quarter. Through much of 2024, Schroders had been positioned for a soft landing scenario. Recently however, amid increased geopolitical uncertainty, they have reduced credit-related risk in their portfolio in preference to government related sectors and cash.

Within the global bonds sector, JP Morgan performed broadly in line with their benchmark. Towards quarter-end, an underweight European duration positioning detracted, whilst a US steepening positioning added to the relative return. A short US dollar position also contributed. Meanwhile, an overweight position to credit contributed at the start of the quarter, but faded towards quarter-end as volatility increased.

Market Review

Bond investors experienced a mixed market landscape over the March quarter given rising inflation, volatility and geo-political risks, with safety sought in high quality assets including government bonds, as yields fell in the US. Sources of uncertainty were many and varied, ranging from trade tensions, monetary and fiscal policy divergence, and technological disruption following DeepSeek's emergence as a cost-effective rival to US tech companies specialising in AI. The Trump administration's extensive tariff regime, primarily targeting China but also affecting allies like Canada, Mexico, and the EU, added notably to volatility. US economic growth forecasts 2025 meanwhile were revised down, while inflation expectations rose. Monetary policy decisions reflected regional economic variations throughout the quarter, contributing to divergence in bond returns. The Fed maintained its target rate at 4.25%-4.5% while signalling potential future cuts, the ECB reduced rates to 2.5%, continuing its easing cycle, while the Japanese rate was increased by the BOJ to 0.5%.

Global bonds, as measured by the Bloomberg Global Aggregate index ($A hedged), returned 1.14% in Australian dollar terms. Global investment grade and high yield credit meanwhile returned 1.73% and 1.13% respectively, as measured by the Bloomberg Global Aggregate Corporate index ($A hedged) and Bloomberg Global High Yield index ($A hedged).

Regarding global credit, spreads widened modestly across both investment grade and high yield markets, with riskier sectors delivering lower returns, albeit still positive. Balance sheets and fundamentals remained generally sound, though individual bond selection was key given pockets of idiosyncratic pressure.

Australian government bonds outperformed global peers over the March quarter, with the 2-year Commonwealth yield falling by 18 basis points (bps), to 3.68%. The Australian yield curve steepened by 21 bps between 2 and 10 year maturities, on the back of the RBA's February decision to cut the cash rate by 25 bps, to 4.10%, with the long end of the curve seeing modest increases in yields. The rate move was interpreted by markets as a 'hawkish cut', with the RBA noting inflation pressures were moderating, though the outlook remained uncertain.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 1.29% over the quarter, while the AusBond Credit index returned 1.52%. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of -0.42% over the same timeframe.

Outlook

Global and Australian bond markets are likely to continue to focus on the expected path of interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, continue to lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows and central banks cut rates. Furthermore, bonds will likely serve as a diversifier to growth assets, particularly during economic slowdown. Stickier than expected inflation remains a risk, as this could cause further delays to additional interest rate cuts.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 2)	AMP1991AU**
SignatureSuper	AMP1975AU
SignatureSuper - Allocated Pension	AMP1977AU
SignatureSuper - Term Pension	AMP1977AU*

*Closed to new investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

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