December 2024

Specialist Diversified Fixed Income Fund On-platform Class A

Investment objective

The Fund aims to provide a total return (interest income and capital growth) after costs and before tax, above the Fund's performance benchmark (60% Bloomberg AusBond Composite Bond 0+ Yr Index, 40% Bloomberg Global Aggregate Index (Hedged to AUD)), on a rolling 3 year basis. The Fund may be suitable for investors who are seeking a diversified portfolio of Australian and international fixed income securities. The Fund aims to pay distributions quarterly. You should be aware that although the Fund aims to pay distributions, the amount of each distribution may vary, or no distribution may be payable in a distribution period.

How we manage your money

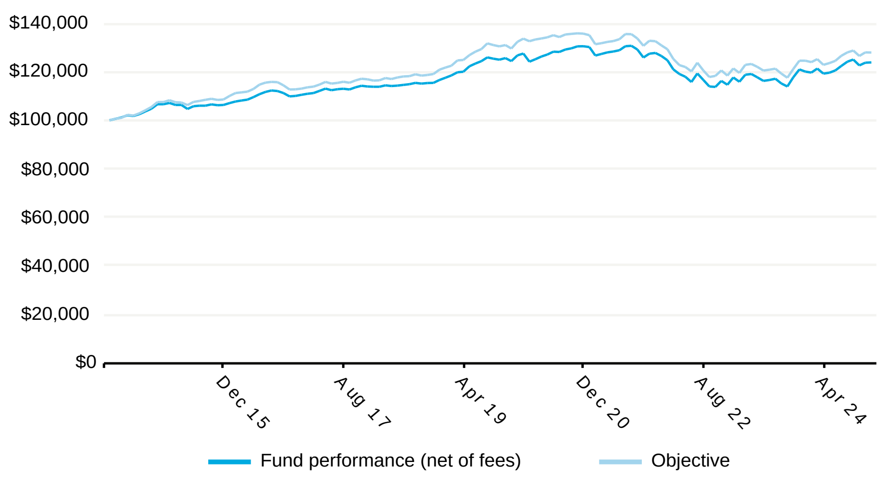
The fund normally invests in Australian and global fixed interest income securities including government securities, government-related securities, inflation linked securities, corporate securities, asset-backed securities, cash, derivatives and foreign currency. The Fund may invest in Australian and global fixed interest securities directly, or through other pooled vehicles.

Performance as at 31 December 2024

%	1 MTH	3 MTH	1 YR	3 YRS	5YRS	7YRS	SINCE INCEPT
Total Return - Net of Fees	0.11	-0.95	2.41	-1.03	-0.09	1.20	2.10
Objective	-0.04	-0.64	2.68	-1.19	-0.26	1.30	2.42
Excess return	0.14	-0.31	-0.27	0.15	0.17	-0.10	-0.31

Past performance is not a reliable indicator of future performance. Performance is annualised for periods greater than one year. Total returns are calculated using the net asset value per unit for the relevant month end. This price may differ from the actual unit price for an investor buying or selling an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after fees and costs and assume all distributions are reinvested.

$100,000 invested since inception



FUND FACTS	
APIR	AMP1992AU
Inception date	09 May 2014
Fund Size	$158,706,322
Total ongoing annual fees and cost*	0.76% p.a.
Buy/Sell spread*	+0.10%/-0.13%
Distribution frequency	Quarterly
Minimum investment	$10,000,000
Minimum suggested time frame	3 years

*Fee information is correct as of 30 June 2024 and is updated biannually. Total ongoing annual fees and costs are made up of management fees and costs, performance fees (if applicable) and transaction costs. You should refer to the current PDS or other offer document for the relevant Fund available at www.amp.com.au/investments for the latest ongoing annual fees and costs as well as member activity-related fees and costs (if applicable).

What happened last period

- The Investment Option posted a small negative return for the quarter, slightly underperforming the benchmark (before fees)
- Over one-year however, performance was positive and above the benchmark (before fees)
- The December quarter saw rising yields, increased yield volatility and negative returns for developed bond markets
- Underlying manager performance was mixed over the quarter

Fund Performance

The Investment Option posted a small negative return for the December quarter, slightly underperforming the benchmark. Stepping back to a one-year timeframe however, performance was positive and above the benchmark (all before fees). Underlying manager performance was mixed over the three-month period.

Within the Australian bonds sector, Macquarie marginally underperformed their benchmark, largely due to duration and curve positioning, particularly towards the end of the period.

Schroders meanwhile modestly outperformed their benchmark, particularly towards the end of the quarter, as the manager remained short US interest rates, looking for a 'higher for longer' environment to be priced in, before subsequently locking in some profits from this positioning.

Within the global bonds sector, JP Morgan underperformed their benchmark. The manager's duration positioning, particularly earlier in the quarter, was the major detractor despite sector and security selection contributing positively.

Market Review

The December quarter saw rising yields, increased yield volatility and negative returns for developed bond markets due to a number of factors such as geopolitics, central bank rhetoric and fluctuating inflation rates. In the US, bond yields rose across US treasury maturities. The initial reaction to Donald Trump's victory was to price in elevated US fiscal risks and a potentially higher inflation outlook. In addition, hawkish comments from Fed Chair Powell indicated less urgency to reduce rates, resulting in a scaling back of market expectations for monetary policy easing in 2025. Treasury yields fell following Trump's market-friendly Treasury Secretary nomination, but soon resumed their rise on signs of sticky inflation and more hawkish forecasts from the Fed. In Europe and the UK, bond yields rose amid elevated inflation and wage growth, as well as political turmoil in France. Japanese government bond yields also rose, as the market continued to price in expected interest rate hikes from the BoJ in 2025.

Regarding global credit, spreads tightened across both investment grade and high yield markets, with riskier sectors delivering better returns. This was driven by expectations of pro-business policies under a Trump administration and a general risk-on stance post the US election. US high yield and investment grade spreads tightened to historical lows, with strong technical demand continuing.

Global bonds, as measured by the Bloomberg Global Aggregate index ($A hedged), returned -1.22% in Australian dollar terms. Global investment grade and high yield credit meanwhile returned -1.86% and 0.87% respectively, as measured by the Bloomberg Global Aggregate Corporate index ($A hedged) and Bloomberg Global High Yield index ($A hedged).

Australian government bonds outperformed global peers over the December quarter, with the 10-year Commonwealth yield rising by 39 basis points, to 4.36%. The RBA left the cash rate unchanged at 4.35% during the quarter, though replaced its neutral policy bias of "not ruling anything in or out" with more dovish language such as "the board is gaining confidence that inflation is moving sustainably towards target". The RBA assessed that economic data had been mixed, but on balance softer than forecast earlier in the quarter. The RBA also noted further progress had been made in closing the output gap and as a result, by quarter-end, expectations grew for rate cuts earlier than previously expected in 2025.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned -0.26% over the period, while the AusBond Credit index returned 0.67% in Australian dollar terms. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of -1.52% over the same timeframe.

Outlook

Global bond markets are likely to continue to focus on the expected paths for US 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.

Like their global counterparts, Australian bond valuations have improved significantly in recent years and have moved closer to fair value as yields have risen. We therefore believe forward-looking returns are now significantly more compelling than in recent history when interest rates were close to zero.

Portfolio Manager

Chris Baker

Chris Baker was appointed as Portfolio Manager, Fixed Income, in October 2021. His prior experience includes strategy formulation and fixed income technical advice, investment consulting and foreign exchange & fixed income portfolio management. Chris holds a Bachelor of Commerce with a major in Accounting and Finance and is CFA qualified. He has also been a Bloomberg AusBond Index and a FTSE Asia Pacific Fixed Income Advisory Member.

Further information

For information about the Fund including fees, features, benefits and risks talk to your financial advisor today or read the product disclosure statement (PDS) which can be found on:

www.amp.com.au/investments

You can also call us on **133 267**