

# AMP Australian Bond

## Quarterly Investment Option Update

31 March 2021

### Aim and Strategy

To provide a total return (income and capital growth) above the Bloomberg AusBond Composite 0+ Yr Index on a rolling 12-month basis. The portfolio invests primarily in Australian government bonds and credit securities and the portfolio may also invest in global fixed income securities, and derivatives in global fixed income markets, which may include a small exposure to emerging markets. Exposure to global fixed interest securities will principally be hedged back to Australian dollars.

### Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

### Investment Option Overview

<b>Investment category</b>	Australian Fixed Interest
<b>Suggested minimum investment timeframe</b>	2 years
<b>Relative risk rating</b>	Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Single

Asset Allocation	Benchmark (%)
Australian Fixed Interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	2.06
Australian Fixed Interest	96.06
Cash	1.88

Sector Allocation	%
Investment Grade Corporate	53.74
Government Agencies/Regionals	20.31
Developed (Non-US) Sovereign Debt	14.01
Agency MBS	8.05
Cash	1.88
High-Yield Corporate	0.95
ABS (Non-Mortgage)	0.80
Other	0.25

Top Holdings	%
AUSTRALIAN GOVERNMENT	14.01
NEW S WALES TREASURY CRP	5.58
QUEENSLAND TREASURY CORP	5.00
TREASURY CORP VICTORIA	3.54
NORTHERN TERRITORY TREAS	2.00
BANK OF MONTREAL	1.76
WESTERN AUST TREAS CORP	1.74
SOUTH AUST GOVT FIN AUTH	1.73
WELLS FARGO & COMPANY	1.72
National Australia Bank Ltd	1.67

<b>Quality Allocation</b>	<b>%</b>
BBB	28.49
Agency/Government	20.31
A	20.01
Treasury	14.01
AAA	10.97
AA	3.13
Cash	1.88
BB	0.73
Not Rated	0.25
CCC	0.22

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## Fund Performance

The Fund posted a negative return (before fees) in the March quarter, underperforming the benchmark. The largest component of the portfolio, held in conventional government bonds and managed by **AMP Capital**, posted a negative absolute return and underperformed its benchmark. The smaller inflation-linked component, managed by **Ardea**, also posted a negative absolute return, producing returns in line with the benchmark.

**AMP Capital's** performance was negatively impacted by material drawdowns from long duration positions as market expectations rerated. Emerging market positions also detracted as the market de-risked and unwound carry trades amid heightened volatility.

Inflation-linked bond fund manager **Ardea** produced returns in line with the benchmark. The Fund retains an overweight allocation to the intermediate sector of the yield curve, reflecting the steepness of the forwards, and hedged by underweight allocations elsewhere across the yield curve. With fixed income markets stabilising over March this segment of the curve held ground, with performance from this strategy stabilising. The Fund also holds an overweight allocation to select long-dated government bonds and government bond futures, with the resulting interest rate duration offset by paid interest rate swap positions.

## Market Review

Australian long-dated government bond yields rose sharply over the March quarter. Against a backdrop of mostly favourable economic data, yields were buoyed by the view that progressive vaccine distribution is conducive to resurgent economic growth which, in turn, leads to higher inflation and correspondingly higher bond yields. The upward move extended to shorter maturities, despite the RBA adding a further A\$100 billion to its quantitative easing program and saying that a return to a tight labour market to an extent that would warrant an increase in the cash rate is not expected until 2024 at the earliest. The Commonwealth Government 10-year bond yield rose by 82 basis points over the quarter to 1.79%, while its 2-year counterpart ended two basis points higher at 0.09%. Total returns for Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, were -3.22% for the period, in Australian dollar terms.

## Outlook

The Reserve Bank of Australia (RBA) is maintaining its yield curve control policy. Monetary policy has reduced volatility at the front end of curve and provides attractive opportunities in the mid-curve for carry and roll. However, there has been more recent upward pressure on global yields which is feeding through to the Australian market. Given the structural issues around an indebted consumer sector and upward pressure on the dollar, the RBA will more likely ease further at this juncture rather than tighten monetary policy, unless global conditions significantly change events. However, we expect the current low volatility in Australian rates to continue for the time being.

## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1319AU
AMP Flexible Super - Super	AMP1449AU
CustomSuper	AMP0343AU
Flexible Lifetime - Allocated Pension	AMP0590AU
Flexible Lifetime - Investments (Series 1)	AMP1048AU**
Flexible Lifetime - Investments (Series 2)	AMP1388AU**
Flexible Lifetime - Super	AMP0343AU
Flexible Lifetime - Term Pension	AMP0890AU
SignatureSuper	AMP0738AU
SignatureSuper - Allocated Pension	AMP1128AU

\*\*Closed to new and existing investors

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