

AMP Australian Bond

Quarterly Investment Option Update

30 June 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

Investment Option Overview

Investment category	Australian Fixed Interest
Suggested minimum investment timeframe	2 years
Relative risk rating	Medium
Investment style	Active
Manager style	Single

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

Actual Allocation	%
International Fixed Interest	2.14
Australian Fixed Interest	96.78
Cash	1.09

Sector Allocation	%
Investment Grade Corporate	52.81
Government Agencies/Regionals	20.61
Developed (Non-US) Sovereign Debt	16.54
Agency MBS	7.35
Cash	1.09
ABS (Non-Mortgage)	0.72
High-Yield Corporate	0.59
Other	0.30

Top Holdings	%
AUSTRALIAN GOVERNMENT	16.54
NEW S WALES TREASURY CRP	5.02
QUEENSLAND TREASURY CORP	4.65
TREASURY CORP VICTORIA	2.84
SOUTH AUST GOVT FIN AUTH	2.07
FirstMac Mortgage Funding Trus	1.81
BANK OF MONTREAL	1.76
WELLS FARGO & COMPANY	1.72
National Australia Bank Ltd	1.67
WESTERN AUST TREAS CORP	1.64

Quality Allocation	%
BBB	27.69
Agency/Government	20.61
A	19.86
Treasury	16.54
AAA	10.66
AA	2.67
Cash	1.09
BB	0.58
Not Rated	0.30
CCC	0.00

Fund Performance

The Fund posted a positive return (before fees) in the June quarter, but underperformed the benchmark. The largest component of the portfolio, held in conventional government bonds and managed by **AMP Capital**, posted a positive absolute return but underperformed its benchmark. The smaller inflation-linked component, managed by **Ardea**, also posted a positive absolute return and underperformed its benchmark.

AMP Capital's performance saw a drawdown during the quarter as its US short duration position underperformed. Market uncertainty over the persistency of inflationary pressures also impacted the Fund's inflation-linked strategies. However, this underperformance was partially offset by gains from curve flattening and foreign exchange positions.

Inflation-linked bond fund manager **Ardea** underperformed as volatility and semi-government strategies detracted. This underperformance was partially offset by positive contributions from yield-curve and bond-swap strategies. Interest rate protection strategies, which are in place to protect against large movements in interest rates, detracted as yields were relatively stable and volatility declined. However, these positions remain essential for longer-term protection. The Fund's yield curve arbitrage strategies contributed positively to performance over the period.

Market Review

Australian long-dated government bond yields ended the June quarter substantially lower, resulting in a flattening in the longer dated segment of the domestic yield curve. In contrast, yields on bonds maturing shortly after the scheduled end of yield curve control remained relatively anchored, in part due to the May labour force survey, which showed a gain of 115,200 in the number of people employed. Employment has lifted by 8.1% from its level of a year ago, with indications that jobs growth across the economy has overcome any negative impact from the ending of the JobKeeper support program. The resurgence of COVID-19 and associated lockdown measures in several capital cities have yet to prompt a major yield reversal, but the situation remains fluid. The Commonwealth Government 10-year bond yield ended the quarter 26 basis points lower at 1.53% while its 2-year counterpart ended three basis points lower at 0.06%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, rose by 1.52% during the period, in Australian dollar terms.

Outlook

The monetary response of the Reserve Bank of Australia to the pandemic, which has entailed cutting its policy rate to a record low of 0.10%, and the introduction of quantitative easing driven asset purchases, has mostly kept the front end of the yield curve under control and provides attractive opportunities in the mid-curve for carry and roll. The government has promised further fiscal support where necessary post JobKeeper termination. While the Australian economy seems to be recovering at a rapid pace, it is unclear how much it may plateau from here. Inflation remains below target at this juncture and this is likely a factor in the central bank extending its asset purchase programme beyond its previously scheduled end date.

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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