

PIMCO Diversified Fixed Interest

Quarterly Investment Option Update

30 June 2021

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	n/a
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	55	50
Aust. Fixed Interest	45	50
Cash	0	0

Sector Allocation	%
Government	66
Semi-Government	2
Agency	4
Investment grade corporates	11
High Yield	1
Securitised	3
Emerging Markets	9
Cash and Other	3

Regional Allocation	%
Australia/NZ	50
Japan	10
Europe – EMU	7
Europe – Non-EMU	5
United Kingdom	1
North America	21
Emerging Markets	4
Other	1

Top Holdings	%
Australian Government	27.61
United States Government	16.64
Japanese Government	10.35
Italian Government	3.99
Queensland (state of)	3.41
Victoria (state of)	2.50
New South Wales (state of)	2.12
Northern territory government of Australia	1.89
France Government	1.85
Western Australia (state of)	1.78

Portfolio Summary

- Over the quarter, the Diversified Fixed Interest strategy outperformed its benchmark (before fees) largely due to spread sector positioning
- Contributors to performance include positions in securitised assets including Australian RMBS and U.S. non-Agency MBS and overweight to senior and subordinated financials

Investment Option Commentary

Developed market yields were mixed over the quarter. Australian yields largely followed In the U.S. and U.K. yields lower, which was a partial retracement of the sharp increase in yields seen in Q1. In Germany, rates rose modestly across the curve, while rates in Japan remained largely range-bound. While inflation is likely to remain a focus for the Reserve Bank of Australia (RBA), both CPI and wage inflation have undershot indicative targets for a number of years. Credit spreads tightened amid optimism surrounding vaccine distribution, strong consumer sentiment as well as strong investment grade technicals despite the significant global issuance over the quarter. The market has still priced in a faster expectation of RBA rate hikes than what the RBA has indicated.

Market Commentary

Global economic data continued to improve, though recoveries have been uneven across regions. Risk sentiment remained robust despite inflation concerns; global equities rallied –the S&P 500 closed at an all-time high –and credit spreads tightened. Developed market yields, however, were more mixed with US and UK rates falling while German rates rose. Meanwhile, developed market central banks maintained accommodative stances, though the extent of support started to be scaled back.

All eyes were on the RBA as the market focused on the future path of the Bank's policy mix as a flurry of positive domestic economic data prints, lead some to expect modestly hawkish adjustments to the policy mix.

Outlook

PIMCO's baseline outlook has the global economy continuing its uneven recovery in 2021 before shifting to a more moderate pace of above-trend growth in 2022. Since inflation follows growth with a lag, the manager projects inflation in developed markets will peak in the coming months. However, the exact timing and magnitude is more uncertain due to supply constraints. These constraints are expected to ease in 2022, while peaking goods demand will likely moderate inflation in the second half of 2021. Meanwhile, several central banks have already begun tapering asset purchase programs. And while others are likely to follow, PIMCO does not expect any to begin hiking policy rates over their cyclical horizon.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1817AU
AMP Flexible Super - Retirement account	AMP1787AU
AMP Flexible Super - Super account	AMP1793AU
CustomSuper	AMP1817AU
Flexible Lifetime - Allocated Pension	AMP1811AU
Flexible Lifetime Investment (Series 2)**	AMP2039AU
SignatureSuper	AMP1805AU
SignatureSuper Allocated Pension	AMP1799AU

**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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