

# Australian Fixed Interest Index

Quarterly Investment Option Update

30 September 2022

## Aim and Strategy

The strategy aims to provide returns that closely match the Bloomberg AusBond Composite 0+ Yr Index with net dividends reinvested before fees and taxes. Exposure to the Australian fixed interest asset class will be attained through the use of low cost index-focused investment managers.

## Investment Option Performance

To view the latest investment performances for this 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>	3 years
<b>Relative risk rating</b>	4 / Medium
<b>Investment style</b>	Index
<b>Manager style</b>	Single

Asset Allocation	Benchmark (%)
Australian fixed interest	100
Cash	0

Top Holdings	%
AUSTRALIAN GOVERNMENT	53.83
TREASURY CORP VICTORIA	6.92
NEW S WALES TREASURY CRP	6.88
QUEENSLAND TREASURY CORP	6.73
WESTERN AUST TREAS CORP	2.72
SOUTH AUST GOVT FIN AUTH	1.80
EUROPEAN INVESTMENT BANK	0.88
KFW	0.82
INTL FINANCE CORP	0.79
ASIAN DEVELOPMENT BANK	0.77

## Market Review

Australian bond yields were volatile over the September quarter, with the yield curve initially falling through July, before bouncing to higher levels by the end of September. Alongside many global peers, the RBA remained committed to tightening economic conditions in order to return elevated inflation towards targeted levels. Whilst jobs data remains strong and economic data releases (outside of housing) remain reasonable, inflation remains high and rising. However, following four consecutive "outsized" 50 basis point (bp) hikes, the RBA had hinted at slowing the pace of further rate rises going forward. Indeed, in early October, the RBA delivered a more "normal" 25bp hike, with RBA Governor Lowe pointing to lower wage rises compared to the likes of the US and lower impact from rising energy costs compared to the UK and Europe. At the end of the quarter, Australian 10-year government bond yields reached 3.89%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, returned -0.64% during the period, in Australian dollar terms. The Inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) Index, returned -1.91% over the same timeframe, as this benchmark is more heavily weighted to longer-duration (higher interest rate sensitivity) assets.

## Outlook

While interest rate rises are likely to continue, the RBA has slightly tempered its hawkishness, slowing the pace of hikes in October amid awareness of downside risks to the economy. High household debt levels and a large share of variable rate loans in Australia are making rate hikes more potent, and thus may reduce the need to raise rates as much as some expect. Recession in the year ahead remains a moderate possibility as delayed impacts of rate rises come further into play.

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## Availability

Product Name	APIR
SignatureSuper	AMP1300AU
SignatureSuper - Allocated Pension	AMP1307AU
SignatureSuper Term Pension	AMP1307AU

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