BlackRock Global Bond

Quarterly Investment Option Update

30 June 2019

Investment Objective

The Fund aims to match the return of the Bloomberg Barclays Global. Aggregate Index (hedged in Australian dollars) before fees less interest withholding taxes and the cost of currency hedging.

Fund Strategy

The strategy seeks to match the distribution of the risk-and-return factors of the index through a “stratified sampling” approach. This approach breaks the index into “cells” of securities that have similar factors of risk and return and then build a portfolio to match these cells. The factors we consider are interest-rate risk, credit risk and specific (security) risk.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Global Fixed Interest
Suggested investment timeframe	2 years
Relative risk rating	4 / Medium
Investment style	Core
Manage style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian/ International Fixed Interest and Cash	0-100	100

Regional Allocation	%
US	40.43
Japan	17.72
Germany	5.29
France	5.93
UK	5.12
Italy	3.60
Canada	3.48
Other	18.44

Sector Allocation	%
Treasuries	54.93
Government Related	11.24
Corporates	18.39
Securitized	14.51
FX	0.50
Cash Securities	0.44

Market Commentary

US

Treasuries rallied across the curve as the 10-year yield ended the quarter 40 bps lower at 2.01%, its lowest level since November 2016. In inflation markets, the 10-year breakeven rate declined by 17 bps to 1.70%.

Although headline CPI inflation initially rose in the quarter, reaching a five-month high, CPI reversed trend and fell to 1.8% year-on-year in May. Core CPI was range-bound over the quarter. The March print was soft as clothing prices fell sharply – at -1.9%, the worst month-on-month apparel prices print since 1949. The decline reflected a payback following recent strength, and effects of the methodology change introduced by the Bureau of Labor Statistics. Core CPI fell to 2% year-on-year in May. Used vehicles prices led the large decline and shelter prices moderated after three months of continued strength. Core goods declined by 0.11% over May, faring better than the 0.34% decline in April. The Bloomberg Barclays US TIPS Index and the World Gov't ILB Index returned 2.86% and 2.91%, respectively, over the quarter.

Eurozone

Sovereign yields fell broadly across the eurozone as the region faced cross-currents from global trade wars, continued weakness in Germany, uncertainty over Brexit and renewed concerns over Italy's budget spending. The 10-year German bund yield fell 26 bps to a record-low -0.33% as yields fell across the maturity curve. Germany was far from alone as benchmark 10-year yields also fell to record lows in a raft of other countries including Denmark, Netherlands, Austria, Finland, Sweden, France, Belgium, Spain and Portugal.

The eurozone manufacturing sector remains firmly stuck in a downturn. The sector continued to contract in the quarter at one of the steepest rates seen in over six years, with the PMI edging lower to 47.6 in June from 47.7 in May. France bucked the overall negative trend to record its highest PMI for nine months. Germany remained very weak. Its PMI improved to 45.0 from 44.3 in May but remains firmly in contraction territory (PMI below 50).

Responding to the recent data, the European Central Bank (ECB) joined the Federal Reserve in turning decisively dovish. At the central-banking forum in Sintra, ECB President Mario Draghi stated that: "In the absence of improvement, such that the sustained return of inflation to our aim is threatened, additional stimulus will be required." He added that further cuts in interest rates remain part of the bank's tools and that asset purchases still have considerable headroom. Markets responded to the comments by pricing in the restart of asset purchases and cuts to interest rates this year.

Japan

Japanese government bond yields continued to fall in the quarter as markets turned abruptly risk-averse following the outbreak of the trade war between the US and China and central bank dovishness stoked the rally. The yield curve flattened led by longer maturities. The 10-year benchmark yield fell 8 bps to -0.16%. The Bank of Japan (BoJ) reduced the number of days on which it bought long-dated bonds, from four days in May to three in June, potentially to improve the market pricing of the bonds.

UK

GDP growth slowed from 0.5% in the first quarter to 0.3% in the three months to April. The economy shrank in April mainly due to a steep fall in car production, and Brexit uncertainty leading to planned shutdowns. The manufacturing sector suffered widespread weakness as firms unwound stockpiles built before the original end-March departure date. The manufacturing downturn deepened in June as the PMI fell for a third consecutive month to 48.0, its lowest level in more than six years.

At its June meeting, the BoE held Bank Rate at 0.75% despite the tight labour market building inflation pressures in the economy. Policymakers acknowledged rising concerns over a potentially disruptive no-deal Brexit. They commented that the downside risks to growth had increased since May as they cut their economic growth forecast for the second quarter from 0.2% to zero.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1102AU
AMP Flexible Super - Retirement account	AMP1338AU
AMP Flexible Super - Super account	AMP1467AU
CustomSuper	AMP1102AU
Flexible Lifetime - Allocated Pension	AMP1107AU
Flexible Lifetime - Term Pension	AMP1111AU
Flexible Lifetime Investment	AMP1116AU
Flexible Lifetime Investment (Series 2)	AMP1403AU
SignatureSuper	AMP1113AU
SignatureSuper Allocated Pension	AMP1142AU

Contact Details

Web: www.amp.com.au
Email:
askamp@amp.com.au
Phone: 131 267
Fax: 1300 301 267
Mail: Customer Service
PO Box 300
Parramatta NSW 2124