

Australian Fixed Interest Index

Quarterly Investment Option Update

31 December 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

Investment Option Overview

Investment category	Australian Fixed Interest
Suggested minimum investment timeframe	3 years
Standard Risk Measure	4/Medium
Investment style	Index
Manager style	Single

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

Top Holdings	%
AUSTRALIAN GOVERNMENT	55.32
TREASURY CORP VICTORIA	7.25
NEW S WALES TREASURY CRP	7.12
QUEENSLAND TREASURY CORP	6.93
WESTERN AUST TREAS CORP	2.69
SOUTH AUST GOVT FIN AUTH	1.78
KFW	0.99
EUROPEAN INVESTMENT BANK	0.95
INTL FINANCE CORP	0.88
ASIAN DEVELOPMENT BANK	0.76

Fund Performance

The Fund produced a positive return for the December quarter against a backdrop of choppy bond markets.

Market Review

Australian bonds were choppy towards year-end as rising yields (from mid-December) largely offset a strong rally (falling yields) that took place over most of the December quarter. Australian 10-year government bonds reached 4.05% at the end of 2022, up 16bp over the quarter and 238bp over the calendar year.

Alongside many global peers, the focus for the RBA over the quarter was the commitment 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 higher than targets. Following several consecutive hikes which saw the RBA cash rate target rise from 0.10% to 2.85%, market participants are expecting the end of the rate rise cycle in the first quarter of 2023.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, returned 0.43% during the period, in Australian dollar terms. The Inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) Index, returned 3.72% over the same timeframe, on expectations of higher inflation levels.

Outlook

While some further interest rate hikes are still possible, the RBA has signalled a preference to slow the pace of hikes, in a bid to reduce downside risks to the economy as well as to allow for time-lags involved with monetary changes influencing the economy. Furthermore, high household debt levels and a large share of variable rate loans in Australia have made rate hikes more potent relative to many overseas economies. Recession in the year ahead remains a reasonable possibility, particularly if the RBA remains hawkish, as delayed impacts of recent rate rises come further into play.

Availability

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

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