



Global Fixed Interest Index (Hedged)

Quarterly Investment Option Update

31 December 2024

Aim and Strategy

The strategy aims to provide returns that closely match the Bloomberg Global Aggregate Bond Index (hedged to Australian dollars) before fees and taxes. Exposure to the global 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	Global fixed interest
Suggested minimum investment timeframe	5 years
Standard Risk Measure	5/Medium to High
Investment style	Index
Manager style	Single

Asset Allocation	Benchmark (%)
Cash	0
Global bonds	100
Actual Allocation	%
Global Bonds	98.09
Australian Bonds	1.67
Cash	0.24

Top Holdings	%
US TREASURY N/B	17.80
CHINA GOVERNMENT BOND	5.31
Fannie Mae	4.86
JAPAN (10 YEAR ISSUE)	3.66
Freddie Mac	3.51
FRANCE (GOVT OF)	2.73
UNITED KINGDOM GILT	2.65
BUONI POLIENNALI DEL TES	2.58
CHINA DEVELOPMENT BANK	2.30
JAPAN (20 YEAR ISSUE)	2.21

Region Allocation	%
North America	45.17
Europe ex UK	25.24
Asia ex Japan	13.02
Japan	9.78
United Kingdom	3.94
Australasia	1.90
Others	0.71
Cash	0.24

Fund Performance

The Investment Option produced a negative return over the December quarter, as global bonds lost value as yields rose on the back of fluctuating sentiment on the broader domestic economy and the path of interest rates. A positive return however was produced over one year.

Market Review

The December quarter saw rising yields, increased yield volatility and negative returns for developed bond markets due to a number of factors such as geopolitics, central bank rhetoric and fluctuating inflation rates. In the US, bond yields rose across US treasury maturities. The initial reaction to Donald Trump's victory was to price in elevated US fiscal risks and a potentially higher inflation outlook. In addition, hawkish comments from Fed Chair Powell indicated less urgency to reduce rates, resulting in a scaling back of market expectations for monetary policy easing in 2025. Treasury yields fell following Trump's market-friendly Treasury Secretary nomination, but soon resumed their rise on signs of sticky inflation and more hawkish forecasts from the Fed. In Europe and the UK, bond yields rose amid elevated inflation and wage growth, as well as political turmoil in France. Japanese government bond yields also rose, as the market continued to price in expected interest rate hikes from the BoJ in 2025.

Regarding global credit, spreads tightened across both investment grade and high yield markets, with riskier sectors delivering better returns. This was driven by expectations of pro-business policies under a Trump administration and a general risk-on stance post the US election. US high yield and investment grade spreads tightened to historical lows, with strong technical demand continuing.

Global bonds, as measured by the Bloomberg Global Aggregate index (\$A hedged), returned -1.22% in Australian dollar terms. Global investment grade and high yield credit meanwhile returned -1.86% and 0.87% respectively, as measured by the Bloomberg Global Aggregate Corporate index (\$A hedged) and Bloomberg Global High Yield index (\$A hedged).

Outlook

Global bond markets are likely to continue to focus on the expected paths for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, continue to lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows and central banks cut rates. Furthermore, bonds will likely serve as a diversifier to growth assets, particularly during economic slowdown. Stickier than expected inflation remains a risk, as this could cause further delays to additional interest rate cuts.

Availability

Product Name	APIR
SignatureSuper	AMP1301AU
SignatureSuper - Allocated Pension	AMP1308AU
SignatureSuper - Term Pension	AMP1308AU*

*Closed to new investors

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