

AMP CAPITAL CORPORATE BOND FUND

Monthly communication — Direct investment

October 2020



INSIGHTS
IDEAS
RESULTS

The Corporate Bond Fund aims to provide a more secure future for investors looking for capital stability and a regular income from their investments.

To achieve this, the Fund invests in an actively managed portfolio of corporate bonds, focusing predominately on investment-grade bonds in the Australian market.

Reliable regular income



Help meet living expenses



A lower risk income solution



Replace a salary in retirement



This month in brief

Performance

The Fund achieved a positive absolute return in October. Australian credit spreads tightened in October, although not quite to the extent of their global peers. Following the Federal Treasurer's Budget speech on 6 October, increased demand was evident in university and REIT credits, as well as those of airlines and airports as travel restrictions between Australia and New Zealand were eased. Bank credits extended their recent solid performance, continuing to benefit from the extension of the Reserve Bank of Australia's Term Funding Facility in early September. Credit sentiment was further bolstered by the easing of lockdown restrictions in Victoria, which will provide boost to the retail and hospitality sectors. At the sector level, allocations across financials (including subordinated) and the real estate and industrial sectors were the largest contributors to performance. There were no detractors. At the security level, exposures to Credit Agricole, Qantas Airways, ANZ Banking Group, Westfield, and ABN AMRO Bank were the largest contributors to performance. There were no significant detractors. During the month, the Fund participated in primary issues from Charter Hall Prime Industrial Fund and Zip Master Trust 2020-1.

Portfolio positioning

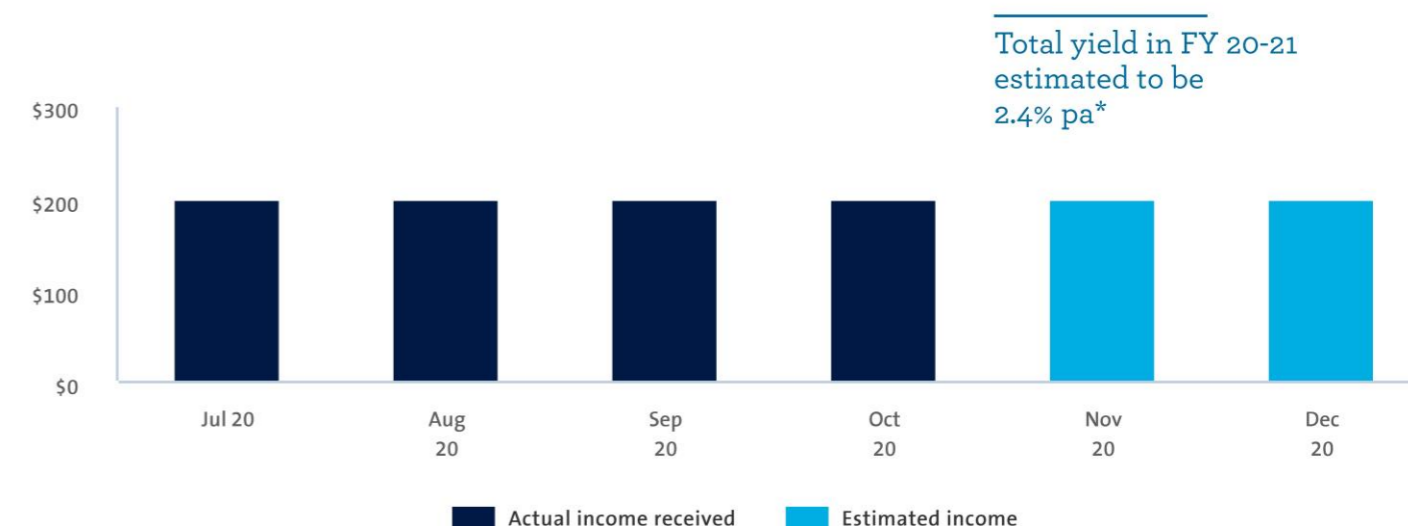
The conservative portfolio positioning we had coming into the COVID-related selloff has meant that our exposures have rebounded quickly, and we have been able to take advantage of opportunities that have arisen in this intervening period. Current positioning has our credit exposures generating a strong level of excess yield, whilst not being overly exposed to any potential future bouts of volatility through the threat of a second wave of infections and weaker than anticipated economic growth. More recently, we have added some credit derivative protection against a mild selloff and have taken profit on some of our global subordinated financial exposures. Despite this recent action, over the medium term, we continue to anticipate that credit spreads will ultimately tighten in a technically driven manner, though as noted previously we had expected increased volatility in the final quarter of 2020. Our fundamental sector and stock selection process continues to emphasise quality issuers whose credit profiles are supported by strong operating cash flows, sound liquidity profiles and an ability to maintain their credit ratings through this cycle. The depth of our research has also helped us identify sectors and issuers where the market reaction has been too fearful and has enabled us to purchase quality corporates at bargain prices.

Looking ahead

In line with our macroeconomic regime shift to a base case of global recession due to the ongoing impact of COVID-19, our macro credit signals had similarly deteriorated with an expectation that negative rating transition risk and global credit defaults will continue to rise for the remainder of 2020. The duration of the pandemic and associated lockdowns, as well as the trajectory for the oil price, will be key determinants of the peak default rate. Risk aversion has improved in key markets where central banks have implemented credit facilities to support the functioning of the capital markets, though it remains notable that volatility-related pricing has not normalised to pre-COVID levels. The bulk of our exposures remains in high quality, shorter-dated credit exposures, however we have added longer-dated exposures where we feel investors are now more adequately compensated for risk. On a medium-term basis, credit valuations remain attractive, but we are wary of a valuation trap in an environment where uncertainty remains elevated.

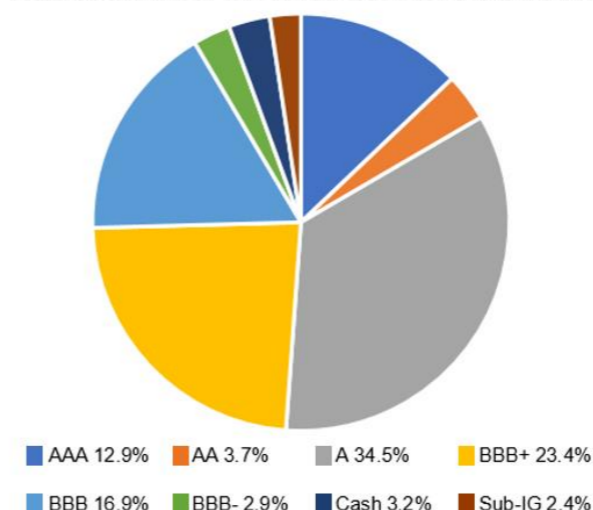
Plan your income

A forecast monthly income amount is regularly provided, and is currently estimated to be 0.20% per month until December 2020. For illustrative purposes, the chart below represents income based on \$100K investment.

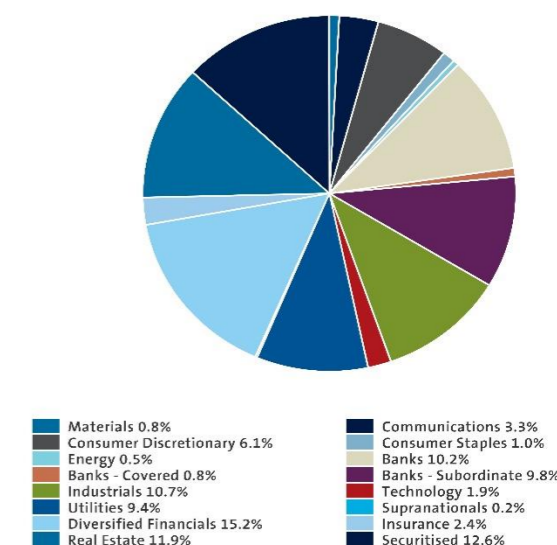


*Effective yield is based on the unit price at the start of the period. It is important to note that the final annualised distribution yield will not be known until the end of the financial year, that the distribution yield estimate isn't guaranteed, and that it may change over the period due to market movements in the Fund unit prices. We base our estimate on assumptions set out at the end of this document, and you should be aware that if facts differ from our assumptions, the final distribution yield may differ from the estimate.

PREDOMINANTLY INVESTED IN HIGH GRADE BONDS



DIVERSIFICATION ACROSS STABLE INDUSTRIES



Here's how the fund performed

	1mth %	3mth %	1yr %	3yr %	5yr %	Since Inception
Distribution	0.20	0.60	2.41	2.86	3.30	5.31
Growth	0.30	0.47	-0.43	-0.58	-0.59	-0.20
Total Return	0.50	1.07	1.98	2.27	2.71	5.11

Past performance is not an indicator of future performance. The inception date for unit Class H is 29 September 2009. Performance is annualised for periods greater than one year. Total returns are calculated using the unit price which uses the net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after Class A fees and costs, assume all distributions are reinvested.

TOP 10 CREDIT HOLDINGS AS AT 31 OCTOBER 2020	WEIGHT %
Australia & New Zealand Banking Group Ltd	3.3
National Australia Bank Ltd	2.6
Westpac Banking Corp	2.6
Sumitomo Mitsui Financial Group	2.5
Commonwealth Bank Australia	2.4
BPCE SA	2.3
Bank of Montreal	2.1
Banco Santander SA	2.1
Qantas Airways Ltd	2.1
United Energy Distribution	2.0

Allocation to global securities (ex Australia): 4%

FUND DETAILS

Inception date	29 September 2009
Strategy size	\$1,029.06 million
Distribution frequency	Monthly
APIR code	AMP1285AU
Buy/Sell spread	+/-0.20%
Suggested minimum investment timeframe	3 years
Modified Duration	0.67
Investment objective	Primary: The AMP Capital Corporate Bond Fund aims to deliver regular monthly income, whilst seeking to provide capital stability to investors over the medium term. Secondary: To provide total returns (primarily income with some capital growth) above the Fund's benchmark over a rolling 3-year basis.

Portfolio manager



Sonia Baillie
Co-Portfolio Manager

Sonia Baillie was appointed as Head of Credit in November 2016 and is responsible for leading the Credit Research and Credit Portfolio Management teams. Ms Baillie also contributes to the macro, credit macro and risk management group and is a senior member of the Fixed Income Investment Committee. Previously Ms Baillie was Head of Credit Research responsible for credit risk across the portfolios including industry allocation, stock selection and for developing the investment process. Ms Baillie joined the firm in 2010 and has also held roles as Head of Asian Fixed Income and Senior Portfolio Manager in Credit. Ms Baillie graduated from the University of New South Wales with a Bachelor of Commerce (Merit) and is a qualified Chartered Accountant, a CFA Charterholder and a member of the Australian Institute of Company Directors.



Nathan Boon
Co-Portfolio Manager

Nathan Boon is Head of Credit Portfolio Management and a senior member of the Fixed Income group that formulates portfolio strategy and risk utilisation. Nathan is the lead portfolio manager for a number of investment-grade and hybrid-oriented strategies and was appointed Co-Portfolio Manager of the Corporate Bond Fund in March 2018. Having joined AMP Capital in 2004, he has extensive experience in portfolio construction, risk management, and quantitative analysis, and specialises in managing exposures to credit risk premia through the cycle. Nathan is a CFA Charterholder and also holds a Bachelor of Commerce in Actuarial Studies and a Bachelor of Applied Finance, both from Macquarie University.

CONTACT DETAILS

For more information on the Fund including fees, product features, benefits and risks talk to your adviser or call us on 1800 658 404 or visit ampcapital.com.au

Important note: Investors should consider the Product Disclosure Statement (PDS) available from AMP Capital Investors Limited (ABN 59 001 777 591) (AFSL 232497) (AMP Capital) for the AMP Capital Corporate Bond Fund - Class H (Fund) before making any decision regarding the Fund. AMP Capital Funds



Management Limited (ABN 15 159 557 721, AFSL 426 455) is the responsible entity of the Fund and the issuer of units in the Fund. The PDS contains important information about investing in the Fund and it is important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This fact sheet has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to their objectives, financial situation and needs. **Estimated Distribution Assumptions:** The estimate is based on the amount of income we expect to receive into the Fund over the specified estimated income period, based on the current investments held by the Fund, the level of coupons and other income expected to be earned from investments held in the Fund. If the companies whose securities we hold in the Fund do not pay the coupons on income they have forecast, or if the Fund portfolio changes materially over the period, this may impact on our estimated distribution amount.

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