

Bentham Global Income

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

The strategy aims to provide exposure to global credit markets and to generate income with some potential for capital growth over the medium to long term. The strategy aims to outperform its composite benchmark over the suggested minimum investment timeframe. Bentham aims to fully hedge any foreign currency exposure back to the Australian dollar.

Investment Option Performance

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

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested investment timeframe	3-5 Years
Relative risk rating	
Investment style	Active
Manager Style	Single Manager

Sector Allocation	%
Banking	9.7%
Insurance	6.3%
RMBS	5.8%
Electronics	5.3%
Buildings and Real Estate	5.0%
Healthcare, Education and Childcare	5.0%
CLO	4.5%
Diversified/Conglomerate Service	4.5%
Chemicals, Plastics and Rubber	4.4%
Hotels, Motels, Inns, and Gaming	3.4%

Top Holdings	%
Allianz SE	1.6%
Bank Of Ireland Group	1.5%
Zurich Finance (uk) Plc	1.4%
Credit Agricole SA	1.3%
Cooperatieve Rabobank UA	1.3%
Towd Point Mortgage Funding 20	1.2%
Caisse Nat Reassurance	1.1%
Barclays Plc	1.1%
Abn Amro Bank Nv	1.1%
Ripon Mortgages - 1x	1.0%

Asset	Benchmark (%)	Actual (%)
Global Fixed		80.4
Aust. Fixed	50	2.4
Cash	50	17.1

Portfolio Summary

- Despite the recent sell-off during the quarter, Global Credit Markets continue to be supported by strong economic fundamentals
- Political risks clearly abundant. We believe they are likely transient
- Although valuations have improved, we continue to be cautiously positioned and are buying credit opportunistically at these more favourable levels.

Investment Option Commentary

The Fund had a total return (after fees*) of 0.52% in the June quarter, underperforming the benchmark (50% Bloomberg AusBond Bank Bill Index, 50% Bloomberg AusBond Composite Index) after fees by 1.22%. On a before fees* basis the fund returned 0.71% for the quarter, underperforming the benchmark by 1.03%.

At quarter end, the Fund had a yield to maturity of 4.65%, running yield of 4.52%, an interest rate duration of - 0.16 years and credit duration of 4.36 years. The Fund's credit yield spread ended the quarter at 307 bps.

The majority of the Fund's exposure is to North America (47.7%), and Europe (18.8%, incl. UK). The Fund has a 2.4% exposure to Australia and New Zealand.

Market commentary

Accommodative Central Bank policy underpinned markets in the June quarter, with Federal Reserve and ECB signaling further monetary stimulus to confront weaker economic data, risks to the trade outlook and low inflation. The Federal Reserve (Fed) did not cut interest rates at its June meeting, but indicated that there may be rate cuts ahead. By the end of the quarter the market had priced in three rate-cuts by the end of the year, prompting a rally in risk assets and resulting in longer dated yields nearing their all-time lows.

Outlook

Credit market generally offer reasonable value when compared with historical credit spreads and corporate credit fundamentals. In the context of historically low yields in traditional fixed income, we think that credit will become more attractive as an asset class as investors looking to generate a yield above inflation.

Our favoured credit sectors (such as loans, capital securities, asset backed securities) are being rewarded for risk. These are assets that are not readily invested in by banks for capital adequacy issues.

On interest rate positioning, fixed income market pricing has drastically shifted from "pricing to economic fundamentals" to "pricing to policy". The US central bank seems willing to cut interest rates as a form of insurance given the current global uncertainty, in spite of full employment,

When central banks do ease, the rally in bonds could go further. Given the bi-modal outlook for interest rates, we have neutralised the Fund's exposure to changes in bond yields.

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP2020AU
AMP Flexible Super – Choice (Super)	AMP2025AU
CustomSuper	AMP1995AU
Flexible Lifetime – Allocated Pension	AMP2000AU
Flexible Lifetime – Super	AMP1995AU

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