

Bentham Global Income

Quarterly Investment Option Update

31 December 2020

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/performance

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested Investment timeframe	3-5 years
Relative risk rating	5 / Medium to high
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	N/A	84.4
Australian Fixed Interest	N/A	4.5
Cash	N/A	11.1

Sector Allocation	%
Government Backed Bonds (EM)	-0.6
Global High Yield	1.3
Global Syndicated Loans	47.1
Global Hybrids	2.3
Capital Securities	14.0
Collateralised Loan Obligations	14.2
Investment Grade Corporate Credit	3.3

Industry Allocation (Top Exposure)	%
Banking	13.4
Aerospace and Defense	6.2
Healthcare, Education, and Childcare	5.8
CLO	5.6
Electronics	5.3

Regional Allocation	%
Cash, Derivatives & Other	13.4
North America	52.9
Australia & NZ	4.5
Europe	18.4
UK	11.2
Emerging Market	-0.4

Credit Rating	%
Cash & Derivatives	13.4
AAA	6.4
AA	12.2
A	2.1
BBB	13.4
BB	8.3
B or Below	44.2

Portfolio Summary

The investment option outperformed the benchmark in the December quarter.

Investment Option Commentary

The investment option maintained broadly consistent sector allocations during the quarter with an increased allocation to cash, derivatives and basis trades of 4.7%. This was financed via a slight reduction in the Fund's exposure to primarily Global High Yield, Global Hybrids & Mortgage Backed Securities. Accordingly, the Fund's credit spread duration ended the quarter at 4.07 years compared to 4.68 at the end of the September quarter.

The investment option remains mostly fully invested with 87% credit exposure, compared with an exposure of 94% last quarter. The Fund's exposure to changes in government bond yields remains relatively low. Interest rate duration in the Fund decreased from 0.64 to 0.14 over the quarter. Bentham do not think that the normal safe haven of interest rate duration is as beneficial as historical statistics suggest. It is unlikely that the current low level of interest rates can go meaningfully lower below zero and the questionable results of negative interest rate policies around the world.

Market Commentary

Equity and credit markets recorded strong gains over the quarter, underpinned by encouraging COVID vaccine announcements and ongoing monetary and fiscal stimulus. The US election result was also positive for markets with the Democrats, led by Joe Biden, winning the US Presidency and ultimately control of the Senate. With an end to the pandemic now in sight, investors' growing risk appetite propelled most markets into the black for 2020 despite the weakness in the first quarter. The S&P finished the year up 16.3%, while the Australian marked inched 1.7% higher. The Federal Reserve restated its support for the markets, saying it will continue with current levels of quantitative easing. Meanwhile, the European Central Bank (ECB) increased the size of its planned asset purchases by EUR 500 billion to EUR 1,850 billion and extended the horizon over which it will make these purchases to the end of March 2022.

The ECB also asked banks to limit dividend payments until September 2021 to support the stability of the financial system. In the UK, the Bank of England announced that it would expand its asset purchase facility by a further GBP 150 billion. After voting to leave the EU in 2016 – Brexit finally came into effect on 31 December 2020, with the UK now free to set its own trade policy and negotiate deals with other countries. On the fiscal policy front, the U.S. approved a USD900 billion stimulus package, establishing a temporary USD300 per week supplemental jobless benefit and a USD600 direct stimulus payment to most Americans, along with a new round of subsidies for businesses.

Outlook

The outlook for 2021 starts with the election of a new US government administration, the resolution of a negotiated Brexit deal, and the beginnings of a global rollout of Covid-19 vaccinations. Corporates proved to be much more resilient in 2020 in managing through the Covid-19 crisis than initial market expectations. However, corporate earnings in some sectors are still challenged by Covid-19 related restrictions, global trade barriers, and potentially additional regulations. Market valuations have been heavily influenced by globally coordinated monetary and fiscal policy leading to higher equity valuations and historically low government bond yields. Credit spreads are still within the confines of historical norms.

Increasing debate about the sustainability and risks of current policies is starting to result in rising government bond yields, which is also a risk to growth asset valuations. Credit markets are likely to continue to be supported by investors looking to achieve a positive real return in a low cash rate environment, and with less exposure to the risk of inflation and earnings growth.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP2025AU
AMP Flexible Super - Retirement	AMP2020AU
CustomSuper	AMP1995AU
Flexible Lifetime - Super	AMP1995AU
Flexible Lifetime - Allocated Pension	AMP2000AU
Flexible Lifetime - Investments (Series 2)	AMP2032AU**
SignatureSuper	AMP2005AU
SignatureSuper - Allocated Pension	AMP2012AU

**Closed to new and existing investors

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