Bentham Global Income

Quarterly Investment Option Update

30 September 2021

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 (50% Bloomberg AusBond Composite Bond Index / 50% Bloomberg AusBond Bank Bill Index) over the suggested minimum investment timeframe. Investments include, but are not limited to, Australian and global hybrid securities, global high yield bonds, global syndicated loans, investments grade securities, global capital securities, asset backed securities, equities and derivatives. 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 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	n/a	79.5
Aust Fixed Interest	n/a	5.9
Cash	n/a	14.6

Sector Allocation	%
Government Backed Bonds (EM)	-1.2
Global High Yield	-1.5
Global Syndicated Loans	42.9
Global Hybrids	2.4
Capital Securities	16.9
Collateralised Loan Obligations	12.7
Investment Grade Corporate Credit	8.0

Industry Allocation (Top Exposure)	%
Banking	16.3
Aerospace and Defense	9.7
Electronics	7.5
Healthcare, Education, and Childcare	6.0
Residential Mortgage Backed Securities	5.0

Regional Allocation	%
Cash, Derivatives & Other	14.6
North America	47.7
Australia & NZ	5.9
Europe	18.0
UK	13.7
Emerging Market	-1.0

Credit Rating	%
Cash & Derivatives	14.6
AAA	6.1
AA	12.3
A	2.9
BBB	19.8
BB	12.1
B or Below	32.2

Portfolio Summary

The investment option outperformed the benchmark in the September quarter.

Investment Option Commentary

Over the quarter, the Fund's core credit portfolio returned +0.52% which was a relatively stable quarter for credit spreads. At quarter end, the Fund had a yield to maturity of 4.03%, running yield of 2.65%, an interest rate duration of -1.56 years (including the effect of the interest rate options strategy) and credit duration of 4.26 years. The Fund's credit spread ended the quarter at 269 bps. The Fund continues to be positioned for a rebound in global economic growth that will benefit corporate earnings, also be beneficial to credit markets returns. Sector allocations over the quarter saw an increase to both Corporate Investment Grade of 0.6% and Cash, Derivatives & Basis Trades of 3%. There was a reduction in the Fund's exposure to Global Syndicated Loans of 2.0% and a reduction in the Fund's exposure to Capital Securities of 1.0%.

Market Commentary

Investment markets were mixed over the quarter as investors came to terms with the fact that inflation may be more sustained than expected and turned their attention to potential Fed Tapering later in the year. Fears of a default of a Chinese property developer in September also weighed on sentiment, with some investors concerned it may lead to a contagion into other markets. Equities were flat while government bond markets sold off in late September, with US 10-Year Bond Yield rising. Credit markets were generally stronger, particularly floating rate markets or sectors with less interest rate exposure. concerns of inflation increased in the quarter. The inflation concerns were based on supply chain constraints from computer chips to transport costs, which was further compounded by higher energy and restricted labour supply feeding into higher wages. The relaxation of social distancing measures and reopening of economies globally have led to a stronger demand, putting stress on both manufacturing and services capacity. Continued supply chain issues and rising energy prices has led to concerns that inflation may not be transitory. Commodity markets were higher over the quarter, driven by higher energy prices, in particular natural gas. In the US, these inflation concerns have seen the Federal Reserve (the Fed) signal that it may bring forward the start of QE tapering to late 2021. The central expectation now being for US interest rates to increase to 1.75% by the end of 2024. The projected pace of increases resulted in a rise in Treasury yields. There are also signs of higher inflation in Europe, with the annual inflation in the eurozone estimated at 3.4% in September, up from 3.0% 2.2% in July. The Bank of England (BoE) delivered a similarly hawkish shift, suggesting that it could put interest rates up before the end of the year. Meanwhile, the European Central Bank (ECB) announced a reduction in the pace of its asset purchases, but highlighted it was not

Outlook

Credit markets fundamentals have continued to improve on the back of a strong economic recovery. The macro environment is likely to remains supportive as vaccination rates increase, which will allow activity to continue to increase (particularly for Covid-19 afflicted industries such as tourism & travel). Moreover, consumers have built up savings with pent up demand. However, the ongoing strength of the economy rebound has stoked inflation concerns. In conjunction with supply chain constraints from computer chips to transport costs, along with higher energy and restricted labour supply feeding into higher wages. The investment debate is squarely focused on the sustainability and inflation risk of stimulative monetary policy. Policy settings have remained somewhat unchanged from before the announcement of a Covid vaccine. However, markets have become dependent on this monetary stimulus and the impending withdrawal of stimulus is likely to result in market volatility, particularly to interest rate sensitive assets. However, Bentham are expecting some segments of corporate credit to remain resilient to rising rate risk (particularly floating rate credit). This is because credit spreads are likely to remain attractive source of return in a low yield environment, have less duration risk and less exposure to equity growth risk.
While Bentham expect investor demand to remain supportive to floating rate credit sectors such as asset backed securities and syndicated loans, Bentham are cautious on some long duration fixed rate credit sectors that may underperform as investors reduce their duration exposure.

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
SignatureSuper	AMP2005AU
SignatureSuper – Allocated Pension	AMP2012AU
Flexible Lifetime - Investments (Series 2)**	AMP2032AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267