

BlackRock Global Bond

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1338AU
AMP Flexible Super – Choice (Super)	AMP1467AU
CustomSuper	AMP1102AU
Flexible Lifetime – Allocated Pension	AMP1107AU
Flexible Lifetime – Investments (Series 1)	AMP1116AU
Flexible Lifetime – Investments (Series 2)	AMP1403AU
Flexible Lifetime – Super	AMP1102AU
Flexible Lifetime – Term Pension	AMP1111AU
MultiFund Flexible Income Plan	AMP1119AU
SignatureSuper	AMP1113AU
SignatureSuper – Allocated Pension	AMP1142AU

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit www.amp.com.au. You can also view the last investment performance specific to you by visiting your My Portfolio account.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: To generate capital and income return for investors seeking exposure to international fixed income markets, including Australia. The portfolio aims to outperform the Barclays Global Aggregate Index (Australian dollar hedged) over rolling 3 year periods. The portfolio invests predominantly in international debt securities and foreign currency exposures.

These include a broad universe of investment instruments, which may include some or all of the following:

- Any fixed income security, negotiable instrument, note or other debt instrument issued or guaranteed by a central or regional government (or their agencies), corporation or supranational body.
- Mortgage securities including fixed rate mortgage pools and pass-throughs, adjustable rate mortgages (“ARMS”), collateralised mortgage obligations (“CMOs”), and other transferable mortgage securities, including structured products.
- Cash, receivables, time deposits (term deposits), certificates of deposit, commercial paper, treasury bills, discount notes and other money market securities.
- Asset-backed bonds.
- Repurchase agreements or stock lending on any eligible investments.
- Any instrument whose value is derived from eligible physical instruments, cash or currency exposures. Such instruments include, but are not restricted to, futures, options, interest rate swaps, cross currency swaps, index swaps, credit swaps, credit default agreements and forward currency exposures.

Units in any managed or pooled investment vehicle provided that the vehicle’s list of eligible investments do not include any instruments outside the portfolio’s eligible investments.

Investment category: Fixed Interest – Enhanced Fixed Interest

Suggested Investment Timeframe: 2+ years

Relative Risk Rating: Low to medium

Investment Style: Active

Asset Allocation	Actual (%)	Range (%)
Australian/ International Fixed Interest and Cash	100	0-100

Holdings

Industry Exposure	%
Treasuries	29.2%
Government Related	14.9%
Corporates	28.3%
Securitized	21.7%
Municipals	0.1%
Derivatives	0.0%
FX	2.8%
Cash Securities	3.0%

Regional Exposure	%
United States	27.1%
United Kingdom	12.4%
Japan	10.7%
Cash	6.4%
None	6.3%
Germany	4.7%
Luxembourg	4.5%
Other	27.9%

Top Ten Securities	%
Not Applicable	

Market Commentary

Global fixed income saw a mixed performance in December with many fixed income markets selling off (yield rising) in the second half of the month.

The global move towards policy normalisation continued as the Federal Reserve (Fed) hiked rates for a third time in 2017. Indeed, central banks in China, Mexico and Turkey also raised rates, while Sweden ended its bond purchases after almost three years.

Credit indices, on the other hand, across qualities (IG and HY) as well as regions (US, Europe and Asia) saw spreads tighten over the month.

Investment Option Commentary

The fund's underweight to European government bonds contributed well to performance as they sold off in the latter half of the December on the back of hawkish comments from several ECB bankers and an announcement that Germany will issue more long debt issuance. A curve steepener, where the portfolio has been overweight 2-year and underweight 5 and 10-year German bunds, contributed well to performance as did the underweight to 10-year Italian and French government bonds. Elsewhere, a duration underweight to Sweden was also positive for December as the Riksbank ended bond purchase program.

On the negative side however, the duration underweight to the UK detracted from performance as UK gilt yields fell over the final month of 2017. In the US, the portfolio was initially

positioned with a 5s/30s curve steepener across the treasury at the start of December, which detracted from performance as the curve continued to flatten. BlackRock took off this curve steepening position later in the month and ended with a small overall overweight to treasuries. These positions detracted on the back of rising treasury yields. However, a small allocation to US inflation-linked bonds was positive, helping to offset some of the negative performance.

The portfolio's FX positioning detracted over December, with the underperformance of its short JPY versus USD and offsetting the positive return from our long SEK, NOK versus EUR, and long GBP versus USD currency positions.

Emerging markets added well to performance as the asset class continued to outperform against a weaker US dollar in December. Positive performance was primarily driven by selective local and hard currency bonds as well as the ETF holdings. The portfolio's long positions in Argentinean, Russian and Turkish hard currency sovereign bonds added well to returns, as did long exposures to local South African sovereign. In FX, whilst the long exposure to the Mexican Peso detracted, the portfolio's long positioning to the Turkish Lira helped offset some of this underperformance.

Within the credit strategies, small gains were driven by the manager's overweights to senior and Tier 2 financials, as well as overweights to European industrials, particularly from the communications and technology sectors. Elsewhere, modest overweights to European government-related assets, and the long GBP and EUR-denominated asset backed securities exposures continued to add to returns.

Outlook

What's in store for 2018? BlackRock debated the prospects for inflation, the sustainability of low volatility, the market impact of elevated political risks and a range of other topics at our 13th semi-annual Investment Outlook Forum in mid-November. 2018 brings a number of political risks. Foremost are negotiations over the future of the North American Free Trade Agreement (NAFTA), which BlackRock see as a barometer for a new "America First" stance that could upset the global free-trade regime. Mexico, whose fortunes are closely tied to the future of NAFTA, tops a long list of EM elections.

Themes

BlackRock see a synchronized global expansion with room to run in 2018 and beyond, albeit with less scope for upside growth surprises. BlackRock see inflation making a modest comeback, led by the U.S., and expect the Federal Reserve to make slow but steady progress in normalizing policy. U.S. tax cuts could boost near-term growth and quicken the Fed's pace. The eurozone and Japan are behind on policy normalization, but their next steps in this direction will likely come into greater focus. BlackRock expect rewards for taking risk to be more muted across the board in 2018.

Outlook debate

BlackRock prefer equities over credit given tight spreads, low yields and a maturing cycle. They see rising profitability powering equity returns, especially in Japan and emerging markets, but earnings growth could wane. BlackRock like financials and tech. The steady expansion supports the momentum style factor, albeit with potential reversals; they see other factors as diversifiers. Plentiful global savings and a thirst for income should cap long-term bond yields. BlackRock prefer inflation-protected over nominal bonds in the U.S., and an up-in-quality stance in credit.

What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.