

# BlackRock Income

## Quarterly Investment Option Update

30-June-2018

### Availability

Product name	APIR
CustomSuper	AMP0868AU <sup>1</sup>
Flexible Lifetime – Allocated Pension	AMP0884AU <sup>2</sup>
Flexible Lifetime – Investments (Series 1)	AMP1002AU <sup>1</sup>
Flexible Lifetime – Super	AMP0868AU <sup>2</sup>
Flexible Lifetime – Term Pension	AMP0941AU <sup>1</sup>
MultiFund Flexible Income Plan	AMP0982AU <sup>1</sup>
SignatureSuper	AMP0965AU <sup>1</sup>
SignatureSuper – Allocated Pension	AMP1143AU <sup>1</sup>

<sup>1</sup>This option is closed to new investors only.

<sup>2</sup>This is a restricted option.

### 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](http://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](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

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

### Overview

**Aim & Strategy:** This option continues to have an objective of generating monthly income in excess of that typically available from short-term money market securities and cash rates and to achieve a return in excess of the UBSA Bank Bill Index before fees over the medium term (3 years). However, this objective reflects the long term historical average returns for the types of securities that the investment option invests in. These are normally referred to as “credit securities”. During times of extreme economic and financial dislocation (as seen in 2008 and

early 2009), where credit markets are highly volatile, the investment returns for this investment option will vary markedly from the long term historical averages.

**Liquidity risk:** This investment option may invest in some securities that are in practise infrequently traded or for which typical daily volumes traded are small. Consequently the investment option may not be able to sell such securities when it is desired or to realise a fair value in the event of a sale. There is the possibility that in some circumstances, the difference between the “buy” price (ie the market valuation) and the “sell” price (ie the price actually realised on disposal of an asset) may be greater than normal. This means that amounts payable on withdrawal may be less than the current value. This is not a specific transaction cost, nor an allowance made in determining unit prices. Rather it is the market impact of needing to dispose of an asset, and is an equitable way of balancing equity between continuing and withdrawing investors.

**Investment category:** Australian Fixed Interest

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

### Holdings

Industry Exposure	%
Consumer Discretionary	7.9%
Consumer Staples	3.1%
Energy	5.6%
Financials	32.8%
Health Care	4.5%
Industrials	8.6%
Information Technology	3.2%
Materials	2.0%
Real Estate	3.1%
Telecommunication Services	5.8%
Utilities	12.4%
None	11.0%

Regional Exposure	%
Domestic Corporate	25.15%
Global	61.44%
Mortgage & Asset Backed	1.90%
Cash equivalent	6.53%
Government & Government Related	2.66%
Others	2.33%

Top Ten Securities	%
Not Applicable	

## Market Commentary

N/A – Market commentary in combination with Investment Option Commentary below.

## Investment Option Commentary

The Fund's credit duration was 6.05 years and the margin over bills closed 9 basis points wider at 183 basis points. The month of June saw credit spreads widen due to large volumes of primary market activity, driven by both merger and acquisition activity and opportunistic issuance, as well as sectoral spread widening from the escalating trade war. Locally Standard & Poors downgraded their industry risk score for the

Australian banking system to reflect weakness in the effectiveness of regulation of the banking sector and the conduct/governance/risk appetite of Australian banks. They also moved their view on the institutional framework and competitive dynamics to low risk from very low risk following revelations from the ongoing Banking Royal Commission. On a positive note they upgraded their view on the trend for economic risk to positive from stable due to the orderly unwind of imbalances. Going forward, the synchronised upswing in global macroeconomic growth and easy monetary policy conditions continue to provide a supportive fundamental backdrop. The ongoing hunt for yield provides a strong technical backdrop supporting credit spreads however bouts of volatility are expected to continue to characterise market conditions.

## Outlook

Market sentiment has shifted markedly. 2017 was a year of upside growth surprises and muted inflation – and unusually low volatility. That set the stage for outsized risk-adjusted returns across markets. Fast forward to 2018: sentiment on many of these key market drivers has shifted. The *Market moods* graphic tells the story. The growth picture is still bright overall. Inflation risks look more two-way, and financial conditions are tightening as US rates rise. Monetary policy is shifting, with the Fed pushing on with normalisation and the European Central Bank (ECB) set to wind down its asset purchases by year-end. The Bank of Japan looks poised to keep its ultra-easy policy on hold as it awaits a sustainable increase in inflation. The big change in 2018: a rise in macro uncertainty

## Themes

BlackRock's base case sees strong US growth extending positive spillover effects to the rest of the world, sustaining the global economic expansion. Yet the range of possibilities for the economic outlook has widened. On the downside: trade war and overheating risks. On the upside: US stimulus-fuelled surprises. This greater uncertainty – along with rising interest rates – has contributed to tightening financial conditions and argues for building greater resilience into portfolios. A rising US dollar squeezes dollar-funded entities including emerging markets (EMs) with large external debt loads.

## What you need to know

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