

Blackrock Global Bond

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

To generate capital and income return for investors seeking exposure to international fixed income markets, including Australia. The option aims to outperform the Bloomberg Barclays Global Aggregate Index (Australian dollar hedged) over rolling three-year periods. The option invests predominantly in international debt securities and foreign currency exposures. These include a broad universe of investment instruments, including fixed interest securities, mortgage securities, asset-backed securities, derivatives, repurchase agreements, stock lending and units in pooled investment funds.

Investment Option Performance

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

Investment Option Overview

Investment category	Global Fixed Interest
Suggested investment timeframe	2 years
Relative risk rating	4 / Medium
Investment style	Core

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

Regional Allocation

	%
United States	31.0
Japan	14.6
United Kingdom	11.0
Germany	9.2
France	4.0
Australia	5.0
Other	25.2

Sector Allocation

	%
Treasuries	54.4
Government Related	14.4
Corporates	15.1
Securitized	15.3
FX	-0.2
Cash Securities	1.0

Investment Option Commentary

The Fund's overweight to short-maturity treasuries was the main detractor as short-term US rates continued to move up during the month. The Fund Manager still have conviction in this position. In BlackRock's view, the likelihood of the Fed being more hawkish than what the market is currently expecting is low. As a result, BlackRock favour short-dated treasuries for its attractive carry and the relatively limited downside risk.

In the eurozone, the fund's overweight to Italy detracted from performance, offsetting the positive returns from the Fund's underweight to Germany bunds.

Amongst the Fund's developed market rates positions, the underweight to Japanese government bonds was a positive contributor, as Japanese bond yields rose in tandem with other core government bond yields.

In emerging markets, while the fund benefited from its long emerging market hard currency bond positions, the local currency bond positions detracted.

FX trades detracted overall, driven primarily by short USDJPY and USDCNY positions. On the positive side, short EURSEK position helped performance. Positioning in corporate bonds had a neutral impact, as the overweight to financial bonds added while the underweight to industrial and utility sectors detracted.

Market commentary

The Bloomberg Barclays Aggregate Index posted a -0.64% return during the month of September, as markets were driven by steady economic expansion and potentially less accommodative central bank policy both domestically and abroad. Above-trend growth persisted, as the labor market continued to firm and average hourly earnings grew at the fastest pace since June 2009 at 2.9% YoY.

Throughout September the market saw a global sell off in bonds resulting from hawkish rhetoric from the ECB and stabilisation in Emerging Market debt. This caused yields to rise globally, producing negative returns.

Outlook

The Fund Manager sees the steady global expansion rolling on, underpinned by above-trend U.S. growth. Yet the range of potential economic outcomes is widening. Stimulus-fueled surprises and productivity gains could boost growth and risk assets, whereas escalating trade disputes and rising price pressures could create downside risks. In this environment BlackRock prefer to be more defensive and be ready to take advantage of future opportunities.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1102AU
AMP Flexible Super - Retirement account	AMP1338AU
AMP Flexible Super - Super account	AMP1467AU
CustomSuper	AMP1102AU
Flexible Lifetime - Allocated Pension	AMP1107AU
Flexible Lifetime - Term Pension	AMP1111AU
Flexible Lifetime Investment	AMP1116AU
Flexible Lifetime Investment (Series 2)	AMP1403AU
SignatureSuper	AMP1113AU
SignatureSuper Allocated Pension	AMP1142AU

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