

Regional Allocation

Cash	10.2%
Derivative	3.3%
North America	48.2%
Australia & NZ	3.1%
Europe	20.6%
UK	14.1%
Other	0.5%



Bentham Global Income

Quarterly Investment Option Update

31 March 2019

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

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested investment timeframe	3-5 Years
Relative risk rating	
Investment style	Active

Aim and Strategy

Sector Allocation	%
Banking	12.1%
Insurance	6.7%
Electronics	5.3%
RMBS	5.0%
Buildings and Real Estate	4.7%
Healthcare, Education and Childcare	4.7%
Chemicals, Plastics and Rubber	4.5%
CLO	4.5%
Diversified/Conglomerate Service	4.4%
Hotels, Motels, Inns, and Gaming	3.7%

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest		83.4
Aust. Fixed Interest	50	3.1
Cash	50	13.5

Top Holdings	%
Zurich Finance (uk) Plc	1.6%
Allianz SE	1.5%
Barclays Plc	1.5%
Abn Amro Bank Nv	1.4%
Bank Of Ireland Group	1.4%
Credit Agricole SA	1.2%
Cooperatieve Rabobank UA	1.2%
Towd Point Mortgage Funding 20	1.2%
JPMorgan Chase & Co	1.1%
Caisse Nat Reassurance	1.0%

Portfolio Summary

- Despite the recent sell-off during the quarter, Global Credit Markets continue to be supported by strong economic fundamentals
- Political risks clearly abundant. Bentham believes they are likely transient
- Although valuations have improved, Bentham continues to be cautiously positioned and are buying credit opportunistically at these more favorable levels.

Investment Option Commentary

The Fund had a total return (after fees*) of 1.42% in the March quarter, underperforming the benchmark (50% Bloomberg AusBond Bank Bill Index, 50% Bloomberg AusBond Composite Index) after fees by 0.55%. On a before fees* basis the fund returned -1.67% for the quarter, underperforming the benchmark by 0.30%.

At quarter end, the Fund had a yield to maturity of 5.28% and a running yield of 5.07%. The Fund had an interest rate duration of -1.59 years and credit duration of 5.41 years.

The majority of the Fund's exposure is to North America (48.22%), and Europe (34.7%, incl. UK). The Fund has a 3.1% exposure to Australia and New Zealand. Bentham remains concerned about a slowdown in China and the resulting knock-on effect into Australia.

Market commentary

After a sharp decline in the December quarter, markets rebounded into the New Year as major Central Banks turned dovish and concerns over the US China trade dispute eased.

Credit markets were also stronger, with the Syndicated Loan market registering its best quarter since 2010. High Yield spreads narrowed by 135bps.

The dovish pivot from major central banks proved significant for markets. The heads of both the Fed and the ECB indicated rates would not rise in 2019. Growth and inflation forecasts were also lowered. The Fed's "dot plot" now shows no rate hikes this year and only one in 2020.

US 10-year Treasury yields fell 30 basis points (bps), with the yield curve inversion prompting some market commentators to question the outlook for growth and the possibility of an impending recession. Our view is that the recent weakness in US economic data is temporary (partly caused by the US Govt shutdown and worries about a Trade War), and growth will pick up again later this year.

Outlook

Risk markets largely recovered in the Q1 2019 quarter owing to the Fed putting further rate hikes on hold (for now). Bentham believes the Fed's new-found dovish stance has likely prolonged the economic cycle. The Fed appears content to let the economy run hot for the foreseeable future until more full-blown inflationary signals appear in fundamental data. With unemployment still historically low and wage growth improving, it would not surprise us to see inflation creep up in 2019 and for the Fed to resume hiking toward the end of the year.

So far, Powell's pause appears to have had the desired effect with government bonds and equities rallying meaningfully. While, the concerns around global political issues (E.G. Brexit, Trade War) still remain, the market no longer appears overly concerned now that the Fed is out of the way (for now). Bentham notes the risk that the Fed might find itself behind the curve has now increased and therefore so has the probability of a more painful end to the cycle later.

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

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