

Bentham Global Income

Quarterly Investment Option Update

30 September 2019

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 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 year
Relative risk rating	5
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest		76.7%
Aust Fixed Interest	50%	4.9%
Cash	50%	18.4%

Sector Allocation	%
Banking	7.7%
RMBS	6.3%
Electronics	5.7%
Healthcare, Education and Childcare	5.3%
CLO	4.5%
Chemicals, Plastics and Rubber	4.2%
Diversified/Conglomerate Service	4.0%
Insurance	3.9%
Telecommunications	3.6%
Hotels, Motels, Inns, and Gaming	3.5%

Regional Allocation	%
Banking	7.7%
RMBS	6.3%
Electronics	5.7%
Healthcare, Education and Childcare	5.3%
CLO	4.5%
Chemicals, Plastics and Rubber	4.2%

Top Holdings	%
Zurich Finance (uk) Plc	1.5%
Bank Of Ireland Group	1.3%
Credit Agricole SA	1.3%
Towd Point Mortgage Funding 2019 - Granite4 Plc	1.2%
Ripon Mortgages - 1x	1.1%
Stratton Mortgage Funding 2019-1 Plc	1.0%
Cybg Plc	1.0%
JPMorgan Chase & Co	0.9%
Octagon Investment Partners 33 - 2017-1x	0.9%
Zurich Finance (uk) Plc	1.5%

Portfolio Summary

- In this period the Bentham Global Income's core credit strategy experienced low albeit positive returns. Importantly, going forward the Bentham believes the investment option is well positioned to generate favourable risk-adjusted returns from credit sectors with yields providing significant return for risk.
- Bentham believes global credit market returns should continue to be supported by sound corporate fundamentals, with defaults remaining low in the near-term.

Investment Option Commentary

On a before fees* basis the investment option returned 0.59% for the quarter, underperforming the benchmark by 0.54%. At quarter end, the Fund had a yield to maturity of 3.83%, running yield of 3.85%, an interest rate duration of 0.44 years and credit duration of 3.65 years. The Fund's credit yield spread ended the quarter at 303 bps.

The majority of the investment option's exposure is to North America (51%), and Europe (24%, incl. UK). The investment option has a 4.9% exposure to Australia and New Zealand.

Market Commentary

Markets were generally positive over the quarter as expectations of further monetary stimulus offset growing concerns over global growth and escalating political and Trade War tensions. The US Federal Reserve (Fed) cut interest rates in July and September while the European Central Bank announced new measures designed to stimulate the economy, including restarting quantitative easing. By the end of the quarter, the market has priced two further cuts by the Fed by March 2020.

Outlook

Going forward, Bentham expects credit market returns to continue to be supported by sound corporate fundamentals, with defaults remaining low. With Govt bond yields near all-time lows, credit spreads will provide an increasingly important contribution to achieving a positive real yield. Credit spreads should benefit from further monetary easing globally extending the business cycle.

Leverage ratios for companies have been slowly ticking higher and could become elevated in the event of an earnings downturn. However, lower rates are supportive of company valuations, which would give credit investors additional capital risk protection. In terms of corporate cashflows, interest coverage ratios are not currently stretched, and lower rates will make it easier for them to repay their debt going forward.

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

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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 believe to 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.