BlackRock Global Bond

Quarterly Investment Option Update

30 September 2019

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
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
International Fixed Interest and Cash	100	100

Sector Allocation	%
Government	52.49
Corporate	25.71
Securitised	21.77
Other	0.03

Regional Allocation	%
UK	4.72
Europe (ex UK)	29.18
North America	43.63
Japan	14.96
Asia (ex Japan)	2.03
Other	5.48

Quality Allocation	%
AAA	37.77
AA	15.22
A	30.20
BBB	13.97
BB>	0.31
Not Rated/Cash	2.53

Portfolio Summary

The Fund underperformed its benchmark over September driven by its macro rates strategies.

Within BlackRock's macro rates exposure, the main detractor from returns was their overweight US duration exposure in a month of generally rising yields in developed market government bonds. Their Japan yield curve flattener position also detracted from returns. Negative returns were partially offset by their overweight in euro-zone sovereigns in Italy and Greece, and their underweight in German Bunds.

The developed market currency exposure detracted over the month. The long Japanese yen vs US dollar position was the main detractor,while the short euro vs US dollar position added to returns.

The credit exposure made a flat contribution to returns. Positive contributions were driven from their overweight exposure to US IG Industrials and allocations to securitized assets.

The positioning in emerging market strategies added positively over the month. Their overweight exposure to emerging market hard currency debt contributed, as did their overweight exposures to Brazil, Mexico and Russia. The long Indian rupee position detracted from returns.

Investment Option Commentary

The Fund's overall overweight duration exposure was maintained throughout the month, in keeping with positioning throughout the third quarter. BlackRock reduced their overweight exposure in US duration and reduced their underweight in German bunds. Elsewhere within euro-zone sovereigns, they closed their overweight positions in the long end of France and Spain, and increased their overweight exposure to Italy. They retain their overweight in Canada government bonds and closed their tactical underweight in UK gilts. In developed market currencies, they remain short the euro and long the US dollar and Japanese yen. In emerging markets, they hold overweight allocations to selective areas of local currency bond markets including China, Indonesia, India, Mexico and Russia. In emerging market currencies, they hold modest long positions in the Brazilian real and the Indonesian rupiah, and they are short the Singaporean dollar. BlackRock have also increased their allocation to emerging market hard currency debt. • Within credit, they retain their preference for USD denominated Senior Financials and Investment Grade Industrials with an emphasis on quality. Their overweight exposure is focused in names within communications, technology and energy sectors.

Outlook

US trade policy has become increasingly unpredictable. Recent geopolitical volatility underscores this message and BlackRock don't see any short-term deal solving long-term strategic issues such as technological dominance and implications for national security.

Persistent uncertainty from protectionist policies is denting corporate confidence and slowing business spending. Yet they still believe the economic expansion is intact, supported by dovish central banks and a robust US consumer.

BlackRock expect at least another rate cut by year end from the Fed; however, guidance for the rate path beyond that is less clear and becomes much more data-dependent given a continued division of opinions within the FOMC. In addition to the domestic data, that decision will rest upon the trade policy uncertainty and weakening global growth. In their view, a confluence of those factors is likely to keep treasury yields range bound in the near term. Moreover, the traditional inverse relationship between risky assets and US government bonds is still alive and well, boosting Treasuries' role as a buffer against risk-asset selloffs. For these reasons, they remain long US duration.

Within credit, they continue to believe higher quality investment grade should outperform in the slower growth environment. BlackRock believe the fears around higher leverage in BBB rated US investment grade appear somewhat overdone in the context of strong cash flows. They also favour Senior Financials in the US given solid fundamentals and valuations which still do not appear rich despite recent strength.

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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