Bentham Global Income

Quarterly Investment Option Update

31 March 2021

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/performance

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested Investment timeframe	3-5 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	N/A	83.0
Australian Fixed Interest	N/A	6.0
Cash	N/A	11.0

Sector Allocation	%
Government Backed Bonds (EM)	-1.2
Global High Yield	-1.5
Global Syndicated Loans	47.3
Global Hybrids	2.1
Capital Securities	16.2
Collateralised Loan Obligations	13.0
Investment Grade Corporate Credit	5.8

Industry Allocation (Top Exposure)	%
Banking	15.7
Aerospace and Defense	8.6
Healthcare, Education, and Childcare	6.5
Electronics	5.7
CLO	5.1

Regional Allocation	%
Cash, Derivatives & Other	11.0
North America	53.1
Australia & NZ	6.0
Europe	17.7
UK	13.2
Emerging Market	-1.0

Credit Rating	%
Cash & Derivatives	11.0
AAA	6.3
AA	11.1
A	3.2
BBB	19.9
BB	12.8
B or Below	35.7

Portfolio Summary
The investment option outperformed the benchmark in the March quarter.

Investment Option Commentary
The Fund finished the quarter with broadly consistent sector allocations; with an increased allocation to Capital Securities of 2.2% and an increased allocation to Corporate Investment Grade of 2.5%. This increase resulted in a slight reduction in the Fund's exposure to primarily Global High Yield & Collateralised Loan Obligations. Accordingly, the Fund's credit spread duration ended the quarter at 4.32 years compared to 4.07 at the end of the December quarter.

The Fund remains mostly fully invested with 90% credit exposure, compared with an exposure of 87% last quarter. The Fund had little interest rate duration going into Q1 with short positions on rates achieved through bond puts which swiftly came into the money as rates sold-off in steeply throughout the quarter in the fastest sell-off in US bond market history. The optionality in our short interest rate position has been tactical in nature and gives the fund a negative interest rate duration position of (-2.61) years as at quarter end.

Market Commentary
The March quarter saw the worst performance from government bond indices since 1994, as investors focused on the strength of the vaccine led global recovery and the positive impact of ongoing fiscal and monetary stimulus The 10-year US Treasury yield ended the quarter above 1.70%, up 0.94% in the quarter. Global equities advanced (with some markets hitting record highs), as did corporate bond markets and commodities. With hundreds of millions of COVID vaccine doses administered in the US and Europe and the number of people being hospitalized with COVID much lower than at the start of the year. The daily vaccination rate has been increased from 2.5 million to over 17million daily, and still increasing. Investors have been factoring in the reopening of their economies, and in particular industry sectors such as the travel and leisure. However, rising COVID infection rates in some countries has cast doubt on the timing of the re-opening, with parts of Europe and some emerging markets (including Brazil and India) hit with another wave of infections and forced into further lockdowns.

Business surveys improved across the globe, with manufacturing expanding strongly in Europe and the UK. The service sector was a standout, with businesses noting improving consumer confidence and signs of pent-up demand. However, some investors have become worried that that the size of the US stimulus, combined with pent-up savings, could lead to a pickup in inflation, potentially leading to the Federal Reserve to tighten policy which in turn could be damaging for equity.

Outlook
Key investment market themes have been focused on; the impact of Covid-19 vaccine roll-out and infection rates on the reopening of economic activity, the impact of increasing term risk premiums on asset valuations, and potential changes in monetary/fiscal policy as economies recover from Covid-19. Corporate credit fundamentals have generally been more resilient to the Covid-19 crisis than initial default forecasts indicated. The major credit rating agencies and global investment banks have reduced default forecast for 2021 over the quarter.

Increasing debate about the sustainability and risks of current stimulatory monetary and fiscal policies has seen government bond yields increase, which is also a risk for growth asset and property valuations. Albeit bond yields still remain relatively low. We expect this theme to continue as valuations for government bonds and equities remain vulnerable to the withdrawal of monetary support. We expect credit spreads, particularly in floating rate credit, to continue to decrease as conservative investment strategies see credit spreads provide a achieve a positive real return in a low cash rate/ bond yield environment, and with less exposure to the risk of inflation and earnings growth.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP2025AU
AMP Flexible Super - Retirement	AMP2020AU
CustomSuper	AMP1995AU
Flexible Lifetime - Super	AMP1995AU
Flexible Lifetime - Allocated Pension	AMP2000AU
Flexible Lifetime - Investments (Series 2)	AMP2032AU**
SignatureSuper	AMP2005AU
SignatureSuper - Allocated Pension	AMP2012AU

**Closed to new and existing investors

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