Bentham Global Income

Quarterly Investment Option Update

30 June 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+ years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	50	84.7
Aust Fixed Interest	50	6.1
Cash	N/A	9.2

Sector Allocation	%
Government Backed Bonds (EM)	-1.2
Global High Yield	-1.4
Global Syndicated Loans	44.9
Global Hybrids	2.1
Capital Securities	18.0
Collateralised Loan Obligations	13.3
Investment Grade Corporate Credit	7.4

Industry Allocation (Top Exposure)	%
Banking	17.5
Aerospace and Defense	8.8
Electronics	7.6
Healthcare, Education, and Childcare	6.9
CLO	5.2

Regional Allocation	%
Cash, Derivatives & Other	9.2
North America	51.2
Australia & NZ	6.1
Europe	18.9
UK	14.1
Emerging Market	-1.0

Credit Rating	%
Cash & Derivatives	9.2
AAA	6.2
AA	13.1
A	4.4
BBB	15.5
BB	5.7
B or Below	36.0

Portfolio Summary

The investment option underperformed the benchmark in the June quarter.

Investment Option Commentary

The Fund had underperforming the benchmark (50% Bloomberg AusBond Bank Bill Index, 50% Bloomberg AusBond Composite Index) after fees in the June quarter. The Fund finished the quarter with broadly consistent sector allocations; with an increased allocation to Capital Securities of 1.8% and an increased allocation to Corporate Investment Grade of 1.6%. This increase resulted in a slight reduction in the Fund's exposure to primarily Global Syndicated Loans. The Fund's credit spread duration ended the quarter at 4.46 years compared to 4.32 at the end of the March quarter. The Fund remains mostly fully invested with 91% credit exposure, compared with an exposure of 90% last quarter. The Fund closed the quarter with a negative interest rate duration of -2.14 years from positive +0.14 years at the beginning of the year, a change of -2.28 years. This negative duration position was the result of put options positions purchased over the last nine months for a premium cost of +0.56% of NAV. The exposure forms a small part of the Fund's risk but Bentham expect the exposure to provide some protection against falling risk assets if there are further inflation surprises.

Market Commentary

Investment markets trended higher over the quarter, underpinned by the continued roll-out of Covid-19 vaccines and the positive impact of ongoing fiscal and monetary stimulus. Bond markets took their lead from the Fed's hawkish shift in tone and a spike in inflation, with the short end of the curve trending higher and 10-Year US Treasury yields retracing part of their gains from Q1. Emerging markets were mixed, while commodities were stronger, driven by higher energy prices. With the number of daily COVID vaccinations accelerating in the US and Europe, and the number of people being hospitalised with Covid much lower than at the start of the year, investor sentiment remained buoyant, with the S&P 500 reaching a new all-time high in late June. Almost all sectors made gains. While the spread of the delta variant is a potential concern, the increasing number of cases has so far not led to significantly higher hospital admissions (as seen in the UK). This suggests that the vaccines work well against the variant.

The US Yield curve flattened over the period as investors priced in earlier rate rises from Central Banks and questioned the potential impact on longer term growth (impacting longer dated bonds). Corporate bonds performed well, with both IG and Non-investment grade markets performing well as credit agencies continue to cut default rate forecasts and upgrade names that were downgraded in 2020. 10-year Treasury yields dropped by 30 bps, ending the period at 1.45% The decline helped growth stocks to outperform value stocks, and supported a strong quarter for US tech stocks.

Despite surging COVID cases, Emerging Markets were generally higher over the quarter, led by Brazil as well as Developing nations in Europe including Poland, Hungary and the Czech Republic. Commodity markets continued their strong run, supported by growth in energy prices and industrial metals which gained on the back of increased global economic activity. Locally, the RBA kept interest rates a record low of 0.10% and continued with its Third bond buying program. Economic conditions remain buoyant while the unemployment rate continues to drop (currently 5.1%), and house prices continue to register strong gains (national house rose 15.6% for FY 20/21).

Outlook

The credit market outlook remains favourable, particularly floating rate markets with the potential to benefit from rising interest rates and higher inflation should it continue. The macro environment remains supportive; with vaccination rates rising which will allow activity to increase (particularly for Covid-19 afflicted industries such as tourism & travel). Moreover, consumers have built up savings with pent up demand, and government fiscal policies remain extremely supportive. Credit spreads (which provide additional yield above cash rates and bond yields) are likely to remain attractive in a low cash rate environment, and with less exposure to the risk of inflation. More broadly, market valuations have been heavily influenced by coordinated monetary and fiscal policy leading to higher asset prices in equities and government bonds.

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
SignatureSuper	AMP2005AU
SignatureSuper – Allocated Pension	AMP2012AU
Flexible Lifetime - Investments (Series 2)**	AMP2032AU

**Closed to new and existing investors

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