BlackRock Scientific Diversified Growth

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

The Fund aims to achieve superior investment performance that exceeds the returns of the neutral portfolio benchmark.

The Fund aims to provide investors with exposure to a growth orientated portfolio, which is managed relative to a benchmark comprised of a portfolio of published indexes, approximately 30% of which represent defensive assets and 70% of which represent growth assets.

The Fund invests across a range of domestic and international asset classes in seeking to maximise the benefits of global diversification.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Multi Sector
Suggested Investment timeframe	5 years
Relative risk rating	5 / Medium
Investment style	Balance
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	36.00	30.34
International Shares	26.00	32.21
International Property (Listed)	5.00	5.03
International Infrastructure	3.00	5.01
Australian Bonds	10.00	13.76
International Bonds	10.00	8.74
Cash	10.00	4.9

Sector Allocation	%
Financials	22.4%
None	17.5%
Real Estate	8.7%
Industrials	8.1%
Information Technology	7.2%
Health Care	7.1%
Consumer Discretionary	6.3%
Materials	5.5%
Communication Services	4.9%
Utilities	4.6%
Consumer Staples	4.4%
Energy	3.4%

Regional Allocation	%
Australia	39.1%
United States	31.0%
Japan	3.8%
Supranational	3.6%
Germany	3.4%
France	2.7%
Canada	2.6%
United Kingdom	2.0%
China	1.6%
Switzerland	1.1%
Spain	1.0%
Italy	0.9%
Korea (South), Republic of	0.8%
Hong Kong	0.8%
Taiwan (Republic of China)	0.7%

Investment Option Commentary

The investment option gained over the third quarter of 2019. The positive contributors to total return over the quarter were Australian and international equities, global infrastructure and listed real estate. The investment's exposure to international shares unhedged in Australian dollars boosted returns further, thanks to a depreciation in the Australian dollar (especially against the US dollar). The investment option's allocation to Australian and global government bonds, alongside global credit also contributed positively over the quarter, while Emerging Market equities detracted somewhat.

Looking at active returns, the investment option slightly underperformed its diversified benchmark over the quarter after recording meaningful outperformance earlier in the year. Stock selection in international equities was the main driver of the underperformance this quarter, as some of the systematic quant strategies found the environment challenging. Stock selection in Australian equities and listed infrastructure was positive, while the investment option's diversifying liquid alternative strategies recorded flat performance over the quarter.

Within international equities, the underperformance was driven by Cross Border Thematics, Sentiment and Momentum insights. Geographically, positioning in the US and Europe detracted. Sectors that detracted included Industrials, especially through overweights in European Machinery. Consumer Discretionary also detracted mostly from overweights in French Textiles Apparels and Luxury Goods and unfavourable positioning within the Hotels, Restaurants and Leisure industry in the US.

Stock selection in Australian equities was positive, despite the challenging environment and added to active performance. Positioning in the Australian Industrials sector was a key positive contributor, driven by overweight positions in commercial services and supplies companies which reported strong earnings results. Australian Health Care was another area of strength due to favourable positioning in health care providers and biotechnology. Energy also did well thanks to a long position in oil and gas and generally favourable positioning within the sector. From an insight perspective, fundamental insights were most effective this quarter such as Earnings Quality and Relative Valuation.

Market Commentary

Most global equity markets finished the third quarter higher, despite twists and turns along the way. Share markets gained in July before falling in August to then recover again in September. Geopolitical risks and developments in US-China trade negotiations were key market drivers over the quarter. The global economy continued to expand but data is pointing to a slowing in momentum. As has often been the case in recent times, markets focused on central banks for reasons to rally. Policymakers duly delivered increased stimulus, with the US Federal Reserve (Fed) cutting interest rates by 0.25% in July and again by another 0.25% in September. US policymakers cited the risks from trade uncertainties and the global slowdown as justification for taking a more accommodative stance. The Reserve Bank of Australia (RBA) delivered a 0.25%- rate cut in July and the European Central Bank (ECB) announced a broad package of easing measures in September. The loosening of monetary policy globally appears to be in response to growing concerns over near-term economic slowdown and below target inflation outcomes.

Global fixed income indices generally recorded positive performance over the quarter despite increased volatility in rate markets. Global government bond yields declined significantly in July and August as central banks around the world lowered interest rates and signalled looser monetary policy. However, interest rate markets showed a remarkably different month in September when global bond yields bounced back sharply. International credit indices finished the quarter relatively flat, while emerging market debt generally recorded positive performance. Commodity markets also had a volatile quarter, with oil finishing lower, gold finishing higher and iron ore falling from its five-year high struck in early July

Availability

Product name	APIR
SignatureSuper	AMP0785AU*

*Closed to new investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

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