BlackRock Global Allocation

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

The Fund aims to provide high total investment return through a fully managed investment policy utilising international equity securities, debt and money market securities, the combination of which will be varied from time to time both with respect to types of securities and markets in response to change market and economic trends. Total return means the combination of capital growth and investment income.

Currency is actively managed in the Fund around a fully hedged Australian dollar benchmark.

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 to high
Investment style	Specialist
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	66.79
Fixed Income	40	26.63
Commodity-Related	0	2.01
Cash Equivalents	0	4.57

Equity Sector Allocation	%
Communication Services	7.12
Consumer Discretionary	8.21
Consumer Staple	4.00
Energy	3.09
Financials	9.06
Healthcare	9.83
Industrials	8.02
Information Technology	11.29
Materials	2.94
Real Estate	1.16
Utilities	1.64
Index-Related	0.43

Regional Allocation	%
North America	61.64
Europe	15.69
Asia	14.04
Latin America	1.66
Africa/Mid East	0.39
Commodity-Related	2.01
Cash Equivalents	4.57

Portfolio Summary

The investment option recently increased exposure to companies within both the U.S. consumer discretionary and staples sectors, due to their expectation of resilient U.S. consumer spending against a backdrop of manufacturing weakness. The exposure broadly ranges from U.S. e-commerce companies, to housing-related and restaurant stocks.

Investment Option Commentary

BlackRock continued to increase exposure to companies within U.S. consumer discretionary, notably select U.S. e-commerce companies and housing-related stocks. BlackRock believe that the U.S. consumer remains in good shape and stands to benefit from low unemployment as well as lower interest rates as they translate into lower credit card and mortgage payments.

BlackRock remain neutrally positioned towards the energy sector given growing concerns over the fundamental supply-demand balance in energy markets. They tactically added to select names over the month that had been oversold. Much of the fund's exposure remains in storage & transport companies that have simplified their capital structures, reduced leverage, have limited exposure to commodity prices, and eliminated the need for equity to fund their growth plans.

BlackRock favor the healthcare sector, as they believe it to be attractively valued relative to other defensive sectors that have similar levels of sustainable growth characteristics. Within biopharma, they have recently added to companies that they believe to be well-positioned from an R&D efficiency standpoint to drive incremental levels of free cash flow growth over a multi-year holding period.

They reduced overall portfolio duration over the past month to 1.66 years, versus its benchmark duration of 2.7 years. With the Fed on hold for the foreseeable future, and with rates at the lower end of the recent trading range, they thought it was sensible to reduce duration for the time being. The majority of their duration exposure is in U.S. Treasuries, as they maintain a material underweight to fixed income in Europe and Japan. Within U.S. Treasuries, the majority of exposure remains in the front-end (2y sector) given their expectation for an eventual meaningful steepening of the yield curve.

BlackRock hold a modest exposure to cash in the fund to help manage risk in the portfolio. In addition to U.S. Treasury bills, they have exposure to short-term bills in Japan as a cost-efficient way to gain exposure to the Japanese yen.

The fund reduced exposure to the U.S. Dollar to a modest underweight as BlackRock added to the Australian dollar and the British pound. In addition, the fund increased exposure to the Chinese yuan via the Chinese government bonds which are only partially hedged.

Market Commentary

Global equity markets capped off 2019 with another month of positive returns. Emerging markets posted the largest gains for the month, following the announcement of a 'Phase 1' of a U.S./China trade agreement, and U.S. dollar weakness. Within developed markets, performance was led by European equities as political uncertainty and concerns of Brexit diminished following U.K. elections. U.S equities remained strong given progress in trade developments and continued liquidity provided in the overnight lending markets by the Federal Reserve. Global bonds also posted modest gains in the month as recessionary fears waned and the U.S. dollar weakened. One exception was U.S. Treasuries, which declined as demand for safe-haven assets decreased. BlackRock believe a combination of a stabilizing economy, ample liquidity and momentum will continue to support equities in early 2020. That said they are mindful that uncertainty over the U.S. election may translate into more volatility as they get further into the year.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1815AU
AMP Flexible Super - Retirement account	AMP1785AU
AMP Flexible Super - Super account	AMP1791AU
CustomSuper	AMP1815AU
Flexible Lifetime - Allocated Pension	AMP1809AU
SignatureSuper	AMP1803AU
SignatureSuper Allocated Pension	AMP1797AU

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