BlackRock Global Allocation

Quarterly Investment Option Update

31 March 2020

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	58.52
Fixed Income	40	25.81
Commodity-Related	0	3.73
Cash Equivalents	0	11.94

Equity Sector Allocation	%
Communication Services	6.15%
Consumer Discretionary	7.63%
Consumer Staple	3.93%
Energy	1.49%
Financials	6.03%
Healthcare	10.60%
Industrials	5.02%
Information Technology	12.16%
Materials	2.37%
Real Estate	1.05%
Utilities	1.58%
Index-Related	0.51%

Equity Regional Exposure	%
North America	38.54
Europe	10.72
Asia Pacific	9.01
Latin America	0.19
Africa/Mid East	0.06

Fixed Income Sectors	%
Government	16.03
Corporates	6.27
Convertibles	0.09
Bank Loans	0.49
Securitised	2.84
Other	0.09

Portfolio Summary

The investment manager remain a near-neutral equity posture, on the view that equity markets have already discounted a significant economic contraction, and the magnitude of the stimulus to be unleashed is unparalleled. Exposure to equities is focused on high quality companies that exhibit earnings consistency and are positioned as beneficiaries of secular themes within the healthcare, U.S. consumer discretionary, communication services, and technology sectors. Outside of equities, they hold a meaningful exposure to portfolio hedges, notably duration, gold-related securities, cash, as well as an overweight to the U.S. Dollar and Japanese Yen, to mitigate risk in the portfolio.

Investment Option Commentary

The investment manager added to select names across the consumer discretionary space including companies in the restaurant industry that they believe have become oversold. In addition, they have continued to add to companies in the homebuilding and home improvement space which they believe stand to benefit over the intermediate term from low interest rates and an eventual resumption in spending from U.S. consumers.

They continued to add to names in the healthcare sector and increased exposure to companies in the managed care sector as they believe that risks associated with a single payer model in the U.S. have subsided materially. Additionally, they added to areas within the healthcare equipment sector that are involved in medical testing and virus detection. They also added to the biopharmaceutical industry given our belief it is attractively valued relative to other defensive sectors that have similar levels of sustainable growth characteristics. Within biopharma, they have an emphasis on 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.

Portfolio duration was 2.2 years as of March month-end, with the majority in U.S. duration as a hedge against equity volatility.

Despite the unchanged total duration, they continue to manage their yield curve exposure to maximize the hedging properties of the book. As such, they rotated positions into the 30-year while further reducing their exposure to the short end. As the Federal reserve has reduced policy rates as far as they can, they feel that opportunities at the extreme long end of the curve have more potential to provide portfolio diversification than the other parts of the yield curve.

Recent dislocations in the credit markets, coupled with historic efforts by the Federal Reserve to provide liquidity to various asset classes, have caused us to re-evaluate the risk/return potential of investment grade bonds. BlackRock have selectively added to U.S. investment grade credit over the month, with the healthy new issue calendar giving them the opportunity to add a variety of names across industry sectors and the maturity spectrum.

The investment strategy hold cash as a diversifying asset class to help manage risk in the portfolio. In addition to U.S. Treasury bills, they have exposure to short-term bills in Japan which are hedged from Japanese yen back to dollars and provide 125bps of excess yield relative to US treasury bills.

Increased overweight positions to the U.S. Dollar (USD) and Japanese yen (JPY), as these currencies have historically proven to be reliable hedges during periods of market volatility. The fund's USD and JPY increases were largely funded at the expense of the Euro, Australian dollar, Chinese yuan, and Indian rupee.

Market Commentary

The global equity market sell-off in March marked the most rapid decline to bear market territory since the onset of the Great Depression. Markets and investor sentiment fell sharply as the widespread impact of the coronavirus became a global pandemic and caused economic activity across most of Europe and the U.S. to temporarily halt across many industries as individuals were urged to stay home to slow the spread of the contagion. Monetary and fiscal with a +$2 trillion stimulus package from the U.S. federal government and a willingness of the Fed to expand its response to combat this negative impact has been equally unprecedented, balance sheet by an additional $4 trillion. The combined impact of the e U.S. fiscal and monetary response, if fully implemented, could approach nearly 30% of GDP.

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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