# BlackRock Scientific Diversified Growth

Quarterly Investment Option Update

31 December 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 to high |
| **Investment style** | Balance |
| **Manager style** | Single Manager |

| Asset Allocation | Benchmark (%) | Actual (%) |
|---|---|---|
| Australian Shares | 30.00 | 26.58 |
| International Shares | 32.00 | 31.63 |
| International Property (Listed) | 5.00 | 4.59 |
| International Infrastructure | 5.00 | 5.15 |
| Australian Bonds | 14.00 | 15.74 |
| International Bonds | 9.00 | 9.69 |
| Cash | 5.00 | 6.62 |

| Sector Allocation | % |
|---|---|
| Financials | 15.2 |
| Real Estate | 8.0 |
| Health Care | 9.0 |
| Industrials | 5.8 |
| Information Technology | 7.8 |
| Materials | 7.3 |
| Consumer Discretionary | 4.9 |
| Consumer Staples | 5.1 |
| Utilities | 1.8 |
| Communication Services | 4.6 |
| Energy | 2.3 |
| Other | 28.2 |

| Regional Allocation | % |
|---|---|
| Australia | 46.1% |
| United States | 25.3% |
| Japan | 4.0% |
| Luxembourg | 3.6% |
| United Kingdom | 2.3% |
| China | 1.9% |
| Germany | 1.7% |
| France | 1.7% |
| Canada | 1.4% |
| Switzerland | 1.3% |
| New Zealand | 1.0% |
| Netherlands | 1.0% |
| Ireland | 0.9% |
| Hong Kong | 0.9% |
| Other | 6.8% |

## Investment Option Commentary

The investment option declined over the first quarter of 2020 but outperformed its diversified benchmark which fell 12.32%. The portfolio's total return was driven by the sharp decline in growth assets, including equities, listed real estate, infrastructure and emerging market assets. The portfolio's defensive exposures in domestic and global fixed income assets provided some positive offset. The portfolio's exposure to movements in the Australian dollar via the unhedged international equity allocation also helped and cushioned the large fall in share prices somewhat.

Looking at active returns, the Fund strongly outperformed its diversified benchmark by approximately 1.0% over the quarter (after fees). Security selection in domestic equities and underweight positions to growth assets were the largest contributors to active performance. Security selection in listed infrastructure and global real estate also added value, while stock selection in global equities and the fund's diversifying liquid alternative strategies detracted.

Within Australian equities, positioning in Health Care was the largest positive contributor to active performance following a significant increase in demand for medical supplies. Stock selection in Australian Materials was another area of strength over the quarter, driven by underweight positions in chemical and construction materials as well as favourable positioning within metal and mining names. In addition, the portfolio entered the volatile March period with underweight positions in growth asset classes including Australian and international equities, which benefitted overall performance.

On the flipside, the portfolio's market-neutral style premia strategy (which is part of the liquid alternative allocation) was the largest detractor from active performance. This strategy seeks to capture positive returns from a range of style factors (i.e. Momentum, Quality, Minimum Volatility, Value and Carry) across global asset classes, while maintaining low correlation to broad market indices. Style performance within single name equities struggled over the quarter, with Value and Quality underperforming especially in February.

## Market Commentary

The first quarter of 2020 was one for the history books, as the coronavirus named COVID-19 caused unprecedented medical, economic and human challenges. The World Health Organisation (WHO) declared this a global pandemic on 12 March 2020, as the virus quickly spread beyond China. At quarter-end, 190 countries reported cases of the coronavirus, with approximately 846,000 cases of the virus and 41,600 fatalities having been confirmed (compared to 10,000 cases at January month-end and 85,000 cases at February month-end). The rapid spread of the coronavirus around the globe, the economic repercussions and the high degree of uncertainty around the severity and length of this virus has led to incredible moves across equities, foreign exchange, commodities and fixed income assets. In a matter of weeks, global equity benchmarks fell from record highs into a bear market. The pace of the market declines was staggering. For example, there have been 12 selloffs in US equities of over 20% with an average duration of 16 months. The equity selloff experienced this quarter (approximately 34% from peak to trough) occurred in less than a month. A market-wide circuit breaker at the New York Stock Exchange, built to give traders a pause and dampen extreme volatility, was triggered for the first time since 1997 in early March, then triggered three more times in quick succession. Risk assets around the globe (including equities, high yield credit and emerging market assets) finished the quarter deep in the red. Perceived 'safe-haven' government bonds performed relatively better but did not provide investors much relief either.

Fiscal and monetary policy action to bridge the economic impact of the coronavirus took shape quickly as the outbreak and related containment measures propagated across the globe. The pace, coordination and size of these responses were also unprecedented. Central banks around the globe were swift to implement significant interest rate cuts (in many cases intra-cycle cuts and quantitative easing) and governments introduced enormous fiscal stimulus packages. In addition, governments introduced containment measures on a scale never before seen – strict quarantine and social distancing policies have become the norm in order to "flatten the curve", with some countries and cities implementing full lockdowns. The pace was remarkable, as the world's central banks acted to provide solutions in days which took months in previous crises. Some have used a 'war-time' analogy to try to convey the policy urgency. Rough estimates indicate that global stimulus packages account for approximately 10% of global GDP, which equates to a stimulus of around US$15-20 trillion exceeding that of the 2008 crisis. Financial markets responded positively to the massive stimulus efforts, despite the challenging backdrop, and recovered somewhat towards quarter end.

## Availability

| Product name | APIR |
|---|---|
| SignatureSuper | AMP0785AU* |

*Closed to new investors

## Contact Details

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