

BlackRock Global Allocation

Quarterly Investment Option Update

30 June 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	64.38
Fixed Income	40	26.68
Commodity-Related	0	4.40
Cash Equivalents	0	4.54

Equity Sector Allocation	%
Communication Services	6.60%
Consumer Discretionary	8.95%
Consumer Staples	3.26%
Energy	1.55%
Financials	7.05%
Healthcare	10.35%
Industrials	6.09%
Information Technology	13.65%
Materials	3.39%
Real Estate	0.63%
Utilities	1.89%
Index-Related	0.97%

Regional Allocation	%
North America	42.74
Europe	13.35
Asia	8.13
Latin America	0.09
Africa/Mid East	0.07

Fixed Income Allocation	%
Government	13.64
Corporates	9.13
Convertibles	0.15
Bank Loans	0.88
Securitised	3.13
Other	-0.25

Portfolio Summary

The Investment Option is overweight equities, with an emphasis on the United States, and have grown more constructive on European equities (ex-U.K.) amidst further policy support from joint monetary and fiscal efforts. Within equities, exposure is focused on high quality companies that exhibit earnings consistency and are positioned as beneficiaries of secular themes. Broad sector tilts are largely in line with pre-crisis positioning as many of the underlying trends that support these themes have only accelerated in recent months, and further widened the gap between winners and losers across sectors.

Within fixed income, the Fund Manager maintain exposure to duration as a partial hedge against equity risk. Given rangebound equity market volatility and a dearth of income as a result of the sustained low rate environment the Fund Manager maintains exposure to credit (both investment grade and high yield) and to select emerging market sovereign debt. Allocations to diversified asset classes, notably cash and precious metals, act as a partial hedge against equity volatility, so as to manage the Investment Option's overall risk profile.

Investment Option Commentary

From a sector perspective, the Fund Manager continue to emphasize secular growth themes across high quality equities in areas such as tech, healthcare, communication services and consumer discretionary. They remain cautious on deep value-oriented sectors, notably energy, given both the low likelihood of a "V"-shaped recovery and a recognition that segments of these industries face long-term secular challenges.

While Fund Manager continue to de-emphasize deep cyclical exposure given the impediments of a rapid surge in economic activity, we have looked to add exposure to companies that can benefit from a stabilizing economy but do not require a sharp cyclical upturn as a catalyst. Despite remaining underweight industrials, we found opportunities to add to select railroad, specialty chemical and defense companies that exhibit stable supply chains, long-term pricing power and exposure to niche segments of the respective markets they serve.

The Investment Option's duration modestly increased from 2.2 to 2.4 years as of month-end. With the Fed's commitment to keep rates anchored for the foreseeable future, we believe the market will remain range bound and looked to tactically manage exposure by adding to longer-dated Treasuries as rates approached the upper bound of their recent range.

They have increased the income of the fund, notably through added exposure to credit-related securities. The Fund Manager continue to build yield into the portfolio via high-quality spread assets with a preference for a diversified basket of investment grade and high yield credit securities, as well as select EM sovereigns and securitized debt. While most of the credit exposure is investment grade, they have found select opportunities in "middle quality" high yield.

They maintain their exposure to gold-related securities as we believe they can provide resiliency in the portfolio and prove to be an effective hedge against equity risk, particularly in environment where massive central bank bond purchases are likely to keep real-interest rates negative for the intermediate term and the path of the U.S. dollar is less certain.

Market Commentary

Despite periods of increased volatility, equities continued the broad market rally in June to cap off the second quarter, marking one of the strongest recoveries observed during a quarter in the post WWII era. A continuation of the market's "risk on" sentiment also resulted in gains across more economically sensitive segments of the fixed income market, led by emerging market debt and investment grade credit. The Fund Manager believe that a combination of unprecedented monetary and fiscal stimulus will support risk assets through the end of the year. However, in the near-term, markets are likely to be range bound and volatility elevated as investors monitor subsequent waves of the pandemic as well as increased geopolitical risk and uncertainty heading into the U.S. presidential election.

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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