

BlackRock Scientific International Share

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide returns before fees that exceed the MSCI World ex-Australia Net TR Index (unhedged in AUD) by 2.5% to 3.0% pa over rolling three-year periods, while maintaining a similar level of investment risk to the index. The option utilises a combination of active stock selection strategies across international developed stock markets that aim for the best trade-off between returns, risk and costs.

Investment risk is managed by diversifying across many regions and countries and by holding the shares of a large number of companies within each industry. This option is not hedged to the Australian dollar. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to leverage exposures.

Investment Option Performance

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

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	99-100	99.0
Cash	0-1	1.0

Sector Allocation	%
Information Technology	21.9
Health Care	14.3
Financials	12.8
Communication Services	11.8
Consumer Discretionary	10.0
Industrials	8.9
Consumer Staples	8.8
Materials	4.2
Energy	2.6
Real Estate	2.2
Utilities	2.0
None	0.6

Regional Allocation	%
United States	66.9
Japan	7.4
United Kingdom	4.6
Switzerland	4.3
France	3.7
Germany	2.6
Canada	2.1
Netherlands	1.9
Finland	1.1

Top Holdings	%
Microsoft Corp	4.5%
Apple Inc	4.1%
Amazon Com Inc	3.4%
Nestle Sa	1.6%
Alphabet Inc Class C	1.5%
Alphabet Inc Class A	1.5%

Investment Option Commentary

The international stock selection strategy had a positive quarter and significantly outperformed its benchmark. All signal insight groups contributed to performance, especially Momentum and Cross Border Thematics. Geographically, the US contributed the most, driven by Momentum and Cross Border Thematics. In Europe, Momentum and Sentiment also added while Relative Valuation detracted in Japan. Most sectors added to performance over the quarter with the exception of the consumer sectors which slightly detracted. Information Technology was the best performing sector, especially through overweight software and IT services in North America. Other sectors that contributed included; Health Care which benefitted from underweights pharmaceuticals names in the US and in Europe. Overweights in European distributors and air freight names and underweights in North American aerospace and defense helped the Industrials sector. Financials also added through overweights in capital markets in the US and underweights in banks in the US and UK.

Positive contributors to performance included underweight positions in Pfizer and HSBC Holdings.

Pfizer – The American pharmaceutical multinational, like the rest of the pharmaceutical industry has been impacted by the postponement of elective surgery during the global pandemic resulting in lower prescriptions. The underweight position was a result of unfavourable Sentiment and Relative Valuation insights.

HSBC Holdings – The British multinational financial services firm has been impacted by the pandemic; outlook for banks continued to deteriorate, while the company also faces further headwinds from the geopolitical tensions with China, especially with Hong Kong being one of the key markets for the company. The underweight position was driven by unfavourable signals in all insight groups especially Momentum, Sentiment and Relative Valuation.

Detractors from performance included overweight positions in East Japan Railway and Coco Cola.

East Japan Railway – The Japanese major passenger railway company has seen its number of passengers decline significantly while lockdown measures and travel bans were in place due to the covid-19 crisis. The overweight position was driven by positive Sentiment and Relative Valuation and Cross Border Thematics insights.

Market Commentary

The MSCI World Ex Australia Index gained 5.94% in unhedged AUD terms and 17.82% in fully hedged to AUD terms over the second quarter of 2020.

Encouraging signs have started to emerge amid a predominantly challenging outlook. Many markets appear to have avoided a potentially disastrous systemic event, thanks to the large and timely fiscal and monetary response from policymakers around the globe. Some data suggests that the economic contraction across developed countries has bottomed and there are hopes for a potential coronavirus vaccine (which does not exist yet). Although macro data still paints a bleak picture of the state of the global economy, financial markets have moved ahead on expectations of an economic rebound. Share markets recorded strong positive returns over the quarter, but most remain in negative territory year-to-date.

There remains a large degree of uncertainty around the severity and duration of this virus epidemic and its economic impact. The human toll of this health crisis continues to rise, with high virus infection rates in some parts of the world (e.g. Brazil, Russia and Indonesia) and signs of a potential second wave in other countries (notably the US). Confirmed cases surpassed 10 million globally and almost 500,000 people are known to have died from the coronavirus as at 30 June 2020 (this compares to under 1 million cases and less than 50,000 fatalities at the end of the previous quarter on 31 March 2020). History provides little guidance on the likely path of activity resumption, leading to wide variations in economic growth forecasts. Investors are confronted with further challenges including amplified geopolitical fragmentation, deglobalisation, supply chain vulnerabilities, civil unrest, ballooning government debt levels and high unemployment globally.

Availability

Product name	APIR
Flexible Lifetime Investment	AMP0841AU
Flexible Lifetime Investment (Series 2)	AMP1401AU
AMP Flexible Lifetime Super	AMP0466AU
AMP Flexible Super - Retirement account	AMP1336AU
AMP Flexible Super - Super account	AMP1465AU
CustomSuper	AMP0466AU
Flexible Lifetime - Allocated Pension	AMP0622AU
Flexible Lifetime - Term Pension	AMP0911AU
SignatureSuper	AMP0788AU
SignatureSuper Allocated Pension	AMP1140AU

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