

# BlackRock Global Allocation

Quarterly Investment Option Update

30 September 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:

[www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Multi Sector
<b>Suggested Investment timeframe</b>	5 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Specialist
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	64.58
Fixed Income	40	26.85
Commodity-Related	0	2.81
Cash Equivalents	0	5.76

Equity Sector Allocation	%
Communication Services	5.86%
Consumer Discretionary	9.06%
Consumer Staples	3.01%
Energy	1.26%
Financials	6.42%
Healthcare	9.87%
Industrials	7.70%
Information Technology	14.08%
Materials	3.81%
Real Estate	0.62%
Utilities	1.77%
Index-Related	1.12%

Regional Allocation	%
North America	42.24
Europe	14.26
Asia	7.83
Latin America	0.15
Africa/Mid East	0.10

Fixed Income Allocation	%
Government	15.78
Corporates	8.97
Convertibles	0.17
Bank Loans	1.03
Securitised	1.10
Other	-0.20

## Portfolio Summary

Within the Global Allocation Fund, positioning reflects a desire to invest for the long-term while managing for the short-term. The investment manager remains overweight equities as they expect continued economic improvement, progress on the health front, (i.e. treatment protocol and vaccine) and continued support from the Fed, particularly given its pivot towards a more dovish reaction function over the long-term.

That said, in the near-term they have trimmed their equity overweight in September based on the expectation that the market will be more volatile, and range bound into the election. Within fixed income, they continue to use duration as a partial hedge against equity risk however consistent with their view of an improving economy, they remain underweight relative to the benchmark. Given the dearth of income as a result of the sustained low rate environment, they also maintain exposure to credit (primarily high yield but also some investment grade) and to select emerging market sovereign debt as additional sources of yield that should continue to benefit from aging demographics, an increasing demand for income, and an improving global economy.

Given the fund's risk aware mandate, they look to balance exposure to risk assets with a diversified selection of portfolio hedges including (the afore mentioned) duration, cash, gold-related securities, derivatives and FX positioning.

## Investment Option Commentary

- Regionally, the strategy is overweight the United States and to a lesser extent, China, and have grown more constructive on European equities (ex-U.K.) amidst further policy support from joint monetary and fiscal efforts. They remain underweight Japan, U.K. Australia, and Canada. Their underweight positions within these countries are due primarily to the sector composition of their equity markets, including significant weights to financials and secularly challenged industries.
- From a sector perspective, the strategy continues to emphasize secular growth themes across high quality and innovative companies in areas such as consumer discretionary, technology, healthcare, and communication services. The investment manager remains cautious on deep value-oriented sectors, notably energy and parts of the financial sector where commerce is changing the efficacy of these business models.
- The investment manager continues to favor secular growth companies for the long-term, however have tilted the portfolio towards select cyclical industries such as rails, manufacturing, aerospace and defense, and specialty chemicals that will benefit from a stabilizing economy but do not require a sharp upturn in economic activity as a catalyst.
- As of September month-end, portfolio duration was 2.4 years, an underweight relative to the 2.75 duration of the fund's reference benchmark. With negative rates prevailing in many fixed income markets, and US rates near historic lows (however unlikely to turn negative), the investment manager believes the efficacy of government bonds as an effective hedge to equity volatility has been diminished meaningfully.
- The investment manager continues to manage their yield curve exposure to maximize the hedging properties of the nominal Treasury positions. As the Federal reserve has reduced policy rates to historic lows, they feel that opportunities at the mid to long end of the curve have the potential to offer more efficient portfolio diversification than shorter-dated maturities.
- The investment manager continues to build yield into the portfolio via high-quality spread assets with a preference for a diversified basket of high yield credit securities, as well as select EM sovereigns and securitized debt. The aggregate exposure of these off-benchmark fixed income asset classes currently exceeds ~10% of AUM and helps to differentiate Global Allocation from more traditional "60/40" portfolios.
- Given the current environment, the investment manager believes that cash equivalents may be a comparable to short- and intermediate-term U.S. Treasuries in their effectiveness in mitigating equity risk. They also hold cash a source of funding as they look to opportunistically deploy capital.
- While the strategy remain overweight US Dollar given its historical roles as reliable hedges during periods of market volatility, they have decreased the overweight given the low interest rate environment and political uncertainty in the U.S., as well as a better than expected recovery in Europe. In addition to the USD, they are overweight the euro and Japanese yen.

## 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

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)  
Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)  
Phone: 131 267



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