

BlackRock Scientific Diversified Growth

Quarterly Investment Option Update

30 September 2020

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:

www.amp.com.au/performance

Investment Option Overview

Investment Category	Multi Sector
Suggested Investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Balance
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	30.00	29.67
International Shares	32.00	31.83
Global Property (Listed)	5.00	5.01
International Infrastructure	5.00	5.18
Australian Bonds	14.00	14.17
International Bonds	9.00	9.03
Cash	5.00	5.11

Sector Allocation	%
Financials	13.7%
Health Care	8.7%
Information Technology	8.4%
Real Estate	8.2%
Materials	7.8%
Consumer Discretionary	7.0%
Industrials	5.3%
Consumer Staples	5.2%
Communication Services	4.9%
Energy	2.1%
Utilities	1.4%
None	27.2%

Regional Allocation	%
Australia	47.9%
United States	24.9%
Japan	3.9%
Luxembourg	3.4%
China	2.3%
United Kingdom	2.1%
France	1.8%
Ireland	1.6%
Switzerland	1.4%
Germany	1.2%
New Zealand	0.9%
Canada	0.8%
Hong Kong	0.8%
South Korea	0.8%
Other	6.2%

Investment Option Commentary

The investment option gained 2.09% (before fees) over the third quarter of 2020, despite a pull-back in September. The key drivers of the positive total return over the quarter came from international and emerging market equities, alongside positive returns from fixed income assets (including government bonds and credit). Australian equities delivered flat returns, while listed global real estate and infrastructure assets detracted slightly.

Looking at active performance, this investment option continued to outperform its diversified benchmark generating almost 0.55% of outperformance over the quarter (before fees). This brings the year-to-date outperformance to approximately +1.0% – on track to meet the strategy's annual performance objective. The positive active return over the quarter was driven by stock selection within Australian and international equities. Stock selection in global REITs also contributed positively, while the Fund's liquid alternative allocation (style premia) offset performance somewhat.

Stock selection in Australian equities was the largest positive contributor to active returns this quarter. Underweight positions in Australian banks and insurers worked well. Positioning in the Consumer Discretionary sector was also additive driven by overweight positions in specialty retailers, which benefitted from the continued government stimulus to support consumer spending. From an insights perspective, sentiment signals drove the outperformance in Australia. This includes signals that aim to capture earnings direction and flow-based market insights.

Stock selection in international equities was the second largest contributor to active performance over the quarter. Positioning in the Consumer Discretionary sector was a key highlight thanks to overweight positions in select hotel names, restaurants, leisure and specialty retailers (where company share prices were severely beaten up following the Coronavirus outbreak). Positioning in the Healthcare and Pharmaceuticals sectors mainly in Europe and the US also added to performance.

The portfolio's market-neutral style premia strategy, which is part of the liquid alternative allocation, was the largest detractor from active performance over the quarter. 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. Similar to peers, the environment has been challenging for this type of strategy. Style factor performance within single name equities continued to struggle and drove the underperformance in this part of the portfolio.

Market Commentary

Most global sharemarkets gained over the third quarter of 2020, despite a significant pull-back towards quarter-end. Technology stocks continued to lead equity indices higher early in the quarter but were also leading on the way down in September. Economic data improved substantially from the lows in the previous quarter, but faster-moving indicators showed that the rate of improvement may be slowing. New coronavirus outbreaks have dampened the economic recovery in certain parts of the world including Australia, the US and parts of Europe. Many governments have started to respond to local outbreaks with localized and more targeted restrictions which generally have less severe effects on overall economic activity – meaning the broader recovery remains intact. Manufacturing and construction sectors are further along the recovery process than the services sector, with contact-intensive businesses still struggling.

Fixed income assets generally recorded positive performance over the quarter. Government bond yields remained near their all-time lows. 10-year government bond yields in the US finished the quarter at 0.68% (up 3 bps compared to the previous quarter), while 10-year German Bund yields closed at negative 0.52% (down 7 bps). Yields on Australian government bonds declined somewhat over the quarter, driven by expectations that the Reserve Bank of Australia (RBA) might lower interest rates in the near future. As such, Australian bond indices outperformed most global peers over the period.

Availability

Product name	APIR
SignatureSuper	AMP0785AU*

*Closed to new investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



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