

# BlackRock Global Allocation

Quarterly Investment Option Update

31 December 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/performance](http://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	67.30
Fixed Income	40	23.48
Commodity-Related	0	1.31
Cash Equivalents	0	7.91

Equity Sector Allocation	%
Communication Services	6.11%
Consumer Discretionary	9.88%
Consumer Staples	2.34%
Energy	1.85%
Financials	6.81%
Healthcare	9.65%
Industrials	7.65%
Information Technology	15.84%
Materials	4.54%
Real Estate	0.72%
Utilities	1.80%
Index-Related	0.11%

Regional Allocation	%
North America	42.26
Europe	15.81
Asia	8.75
Latin America	0.31
Africa/Mid East	0.17

Fixed Income Allocation	%
Government	12.07
Corporates	8.90
Convertibles	0.14
Bank Loans	1.43
Securitised	1.10
Other	-0.16

## Investment Option Commentary

- Regionally, the investment manager are overweight equities in the United States and to a lesser extent, China with an emphasis on high quality and innovative companies that are positioned to generate consistent earnings. They also continue to be overweight European equities (ex-U.K.) as a more tactical position to increase exposure to cyclical industries given potential for joint stimulus efforts to act as a catalyst for growth in the near-term.
- The investment option remains underweight Japan, 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, such as mining and oil & gas production.
- Within the derivatives space, BlackRock found opportunities in the options market to trade volatility to augment their core equity positions and manage the portfolio's risk/return profile. Amidst increased volatility in the options market over the month, the team wrote covered call options at elevated price levels that they would be comfortable selling the underlying security. In addition to helping the team manage the portfolio's overall risk level, selling options on certain stocks which they believe investors have overestimated the near-term volatility and affords the team a mechanism for generating incremental income in a low-yield environment, without increasing the portfolio's duration risk.
- As of December month-end, portfolio duration was 1.9 years, an underweight relative to the 2.75 duration of the fund's reference benchmark. Over the month, they continued to reduce exposure as they believe the efficacy of government bonds as a hedge to equity volatility has been diminished meaningfully.
- Despite the reduction in duration, they maintain a modest weighting in high quality sovereign bonds as a partial hedge against equity risk. Within their nominal U.S. Treasury positioning, they tactically manage their yield curve exposure to maximize the hedging properties. As the Federal Reserve has reduced policy rates to historic lows, effectively anchoring short-term rates, their exposure in U.S. Treasuries is mainly in the mid to long end of the curve given the risk/return profile and marginal carry provided.
- Within high yield, while they have observed moderate spread compression over the past several months, it is their view the asset class continues to offer more attractive relative value as compared to higher quality segments of the global fixed income markets.
- Within emerging markets, exposure remains diversified with an emphasis on select countries which they believe to offer stability with the potential for yield or spread compression.
- The aggregate exposure of these off-benchmark fixed income asset classes currently exceeds ~11% of AUM and helps to differentiate Global Allocation from more traditional "60/40" portfolios.

## Outlook

Looking ahead, BlackRock expect 2021 U.S. growth to be above consensus, supported by a deleveraged consumer, record wealth levels, additional stimulus, positive impact of the commencement of widespread vaccine distribution, and a continuation of super-accommodative monetary policy.

Given the supportive macro backdrop, the investment manager remains overweight equities and credit. Within fixed income, consistent with their view of an improving economy, they remain underweight developed market government bonds relative to the benchmark. While they still believe that U.S. duration is an effective partial hedge against equity risk, they have reduced exposure given the diminished efficacy as a hedge in the sustained low rate environment. Given the dearth of income as a result of the sustained low rate environment, they 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, increasing demand for income, and an improving global economy. In line with the fund's risk aware mandate, they look to balance exposure to risk assets with a diversified selection of portfolio hedges including (the aforementioned) duration, cash, derivatives (most notably options to capture dislocations in volatility), gold-related securities, and FX positioning.

## Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1791AU
AMP Flexible Super - Retirement	AMP1785AU
CustomSuper	AMP1815AU
Flexible Lifetime - Super	AMP1815AU
Flexible Lifetime - Allocated Pension	AMP1809AU
SignatureSuper	AMP1803AU
SignatureSuper - Allocated Pension	AMP1797AU

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