

BlackRock Scientific International Share

Quarterly Investment Option Update

31 December 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/performance

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	100	99.5
Cash	0	0.5

Sector Allocation	%
Information Technology	22.9
Health Care	13.9
Financials	12.7
Consumer Discretionary	12.7
Industrials	10.2
Communication Services	8.0
Consumer Staples	5.9
Materials	4.2
Energy	3.6
Utilities	2.7
Real Estate	2.5
Other	0.5

Regional Allocation	%
United States	66.0
Japan	7.9
France	3.6
Germany	3.5
Switzerland	3.0
Canada	2.5
United Kingdom	2.4
Netherlands	2.4
Ireland	1.1

Top Holdings	%
Apple Inc	4.3
Microsoft Corp	3.2
Amazon Com Inc	2.7
Facebook Class A Inc	1.7
Nvidia Corp	1.4
Alphabet Inc Class A	1.2

Investment Option Commentary

The international stock selection strategy had a strong quarter in absolute terms; however, it slightly underperformed its strongly performing benchmark. Quality and Momentum detracted the most while Cross Border Thematics, Relative Valuation and Sentiment insights were relatively flat. Geographically, while Europe added, most regions detracted, especially the US with poor performance of Momentum insights. Information Technology (overweights in IT services and software) in the US was the main source of underperformance. Financials also detracted through underweights in Europe despite the strong gains in US banks (overweights). Underweights aerospace in Europe and US weighed on Industrials while underweights metal and mining in the UK were on a drag on Materials. On the positive, Communications Services added in the US and in Europe, as did Energy. Consumer Discretionary (overweights in specialty retailers) did well in Japan and also in the US.

Positive contributors to performance included overweight positions in Wells Fargo and Citigroup.

Wells Fargo – The American financial services company, like its industry peers, saw its share price rally as investors rushed towards value and cyclical names on potential effective vaccine news. The overweight position was a result of favourable Momentum, Sentiment and Cross Border Thematics insights.

Citigroup – The US financial institution gained, in line with the broader Financials sector, which performed strongly on improved sentiment on the economic outlook after the announcement of the Pfizer vaccine. The overweight position was driven by positive Momentum, Sentiment and Cross Border Thematics insights.

Detractors from performance included overweight positions in Salesforce.com and Equinix.

SalesForce.com – The US cloud-based software company reported results that beat market expectations; however the share price fell after management confirmed a major acquisition and anticipate slower growth for next year. The overweight position was a result of generally positive insights especially Cross Border Thematics and Momentum insights.

Equinix – The American internet and data centres multinational's share price suffered during the market rotation in November. Information Technology stocks were heavily sold off after the announcement of the vaccine as investors turned towards value names. The overweight position was driven by generally positive insights, especially Sentiment, Cross-Border Thematics and Momentum insights.

Market Commentary

The MSCI World Ex Australia Index gained 5.68% in unhedged AUD terms and 11.73% in fully hedged to AUD terms over the fourth quarter of 2020.

Sharemarkets across the globe enjoyed strong returns in the fourth quarter of 2020, with many indices reaching new all-time highs following a year that contained a global pandemic, record-breaking recession and a contentious US presidential election. Risk appetite improved over the quarter as the US election came to an end and positive COVID-19 vaccine news stoked investor optimism. On November 9th, Pfizer-BioNTech announced that its clinical trial has returned preliminary results suggesting that its vaccine is over 90% effective in preventing COVID-19 (well above expectations). A few days later, another drug maker - Moderna - also reported strong trial results. This was followed by news of a third potential COVID-19 vaccine candidate developed by the company AstraZeneca in partnership with the University of Oxford. Within weeks the Pfizer-BioNTech vaccine was approved in Europe and the US – with the vaccine administered to the first patient in the UK on December 8th. Later in December, the US Food and Drug Administration (FDA) authorized the country's second vaccine (Moderna), clearing the way for millions of doses to be released in the US within weeks. Other countries, including Australia, are also planning to approve a COVID-19 vaccine in the weeks ahead triggering hope that mass immunization could bring an end to the global pandemic and speed up the economic recovery.

Although broad market indices enjoyed stellar performance over the quarter, there was a lot happening under the surface. The positive vaccine developments triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly, while technology stocks underperformed. Small-cap stocks rallied, while the generic Momentum factor (a metric that captures positively trending stocks) experienced one of the sharpest and deepest drawdowns in history in November. Financial markets appeared relatively unfazed by the resurgence in COVID-19 cases in various parts of the world. The higher infections and new more-transmissible variants of the virus prompted more stringent and longer restrictions throughout the world, but investors appeared to look through these near-term challenges.

In the US, the S&P 500 Index gained over 12% over the quarter reaching new all-time highs along the way. The US presidential election took place in early November, which led to an initial relief rally. Market attention quickly moved to the positive vaccine news, which continued to drive financial markets higher. Yet, the number of COVID-19 cases and hospitalisations in the US increased significantly over the quarter and several US states introduced tighter restrictions to mitigate the spread of the virus. Investors focused on the encouraging vaccine news instead and sentiment remained positive. Economic data was mixed and the recovery in the US economy appeared to be losing some momentum towards year-end amidst the renewed restrictions in activity.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1465AU
AMP Flexible Super - Retirement	AMP1336AU
CustomSuper	AMP0466AU
Flexible Lifetime - Super	AMP0466AU
Flexible Lifetime - Allocated Pension	AMP0622AU
Flexible Lifetime - Term Pension	AMP0911AU
Flexible Lifetime - Investments (Series 1)	AMP0841AU**
Flexible Lifetime - Investments (Series 2)	AMP1401AU**
SignatureSuper	AMP0788AU
SignatureSuper - Allocated Pension	AMP1140AU

**Closed to new and existing investors

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