BlackRock Global Allocation

Quarterly Investment Option Update

31 March 2021

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

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	64.54
Fixed Income	40	18.84
Precious Metals	0	0.50
Cash Equivalents	0	16.12

Equity Sector Allocation	%
Communication Services	5.90%
Consumer Discretionary	8.79%
Consumer Staples	1.70%
Energy	2.16%
Financials	8.71%
Healthcare	7.94%
Industrials	7.58%
Information Technology	13.66%
Materials	5.04%
Real Estate	0.82%
Utilities	2.18%
Index Related	0.06%

Portfolio Summary

Global equity markets posted a positive return in March, on the back of the strong and rapid recovery from the COVID-19 pandemic, as evidenced by strong U.S. economic data, coupled with the expectation of another substantial stimulus package from Washington D.C. Dispersion across equities also picked up from significant sector rotation as investor sentiment flipped between cyclical, reopening trades to secular growth, stay at home trades. Market expectations of a rapidly improving economy continued to pressure the long end of the U.S. Treasury curve, causing the 10-year rate to back-up to 1.65%. While BlackRock does not expect a melt-up in yields from here, the investment manager does believe that real rates will continue to normalize with the significant pick-up in economic growth that is expected in the second half of 2021. It is also important to note that real rates remain historically low, representing only the 2nd time in 20 years where they are negative. As the economy reopens and growth continues to accelerate, a return to positive real rates should be viewed as a favorable sign.

Investment Option Commentary

- Positioning at the sector level reflects a **barbell approach** with exposure to cyclical companies that would benefit from a sustained economic recovery in the near-term coupled with secular growth companies positioned to benefit from long-term trends associated with the evolution of technology adoption.

- **Reduced overweight to technology to a more neutral stance** to help mitigate exposure to rising rates. While remaining positive on the sector over the long-term, the Fund pared back select semiconductor and hardware companies where revenue multiples had become stretched following strong Q4 earnings.

- In line with a desire to lean into cyclical expression given the expectation for robust economic growth in the coming months, the Fund added to select companies across **energy, materials and financials**.

- Remain underweight defensive sectors, such as **consumer staples and real estate**, whose low growth rates and relatively high dividends could cause them to underperform the broader market if the global economy accelerates rapidly and bond yields continue to rise.

- Over the month, portfolio duration was further reduced from **1.4 years to -0.1 years**, a significant underweight relative to a benchmark duration of 2.70 years, as BlackRock believe that the possibility of additional yield curve steepening limits the desirability of holding longer-dated U.S. Treasuries for hedging purposes.

- Remain **significantly underweight developed market sovereign bonds**, with ~ 2.0% invested in nominal U.S. Treasuries (one of the fund's lowest exposures to Treasuries). Outside of the U.S., the Fund has ~3.0% invested across Italy, Japan, and Australia with a preference for countries which BlackRock believe will lag the U.S. in the eventual removal of accommodative monetary policy.

- Given the significant underweight to U.S. rates, the team used **interest rate swaptions** as a partial hedge to positioning with exposure to receivers at the back end of the yield curve balanced by payers in the middle of the curve. While BlackRock believe that rates are likely headed higher from here (and positioned accordingly), this strategy would help protect against a materially flatter yield curve should a risk-off environment materialize.

- With inflation expectations at 2.5% today, in BlackRock's opinion, there is limited room for them to go meaningfully higher. As a result, we have **minimal exposure to U.S. TIPS** with upward inflation pressure tempered by long-term disinflationary forces, such as an aging demographic trend and technological innovations.

- Continue to build yield into the portfolio via **spread assets** with a preference for a diversified basket of credit, 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

- Within credit, BlackRock pared back exposure to **high yield**, as they feel valuations have become extended given elevated risk premium from increased volatility in the risk-free rate and spread compression. BlackRock have rotated some of this exposure to long-duration U.S. investment grade bonds where they find the spreads more attractive relative to risk.

- Within **emerging markets**, exposure remains diversified with an emphasis on select countries, notably China**,** and across Latin America which is believed to offer stability with the potential for yield or spread compression.

- Reduced exposure to **gold-related securities** over the month given expectation for strong economic growth, an increase in real interest rates, and relative stability of the USD, and rotated into other portfolio hedges such as cash and derivatives that BlackRock feel provide ample diversification benefits in the current environment.

- Given the current environment, the Fund increased exposure to cash equivalents as BlackRock believe it to be more **efficient means to hedge equity risk** compared to short- and intermediate-term U.S. Treasuries. The Fund also hold cash as a **source of funding** as it looks to opportunistically deploy capital.

- Against a backdrop of heightened volatility, increased demand for traditional portfolio hedges, BlackRock increased exposure to the **U.S. Dollar**, taking it back to a modest overweight of 66%. BlackRock is also **short select currencies** that have material exposure to global commodities and/or have a higher beta to the market such as the Australian Dollar and select Emerging Market currencies. Their view is that in a "risk off" environment, many of these currencies are likely to underperform certain DM currencies such as the USD and JPY. This tactical management of currency is another example of the fund's flexible approach to managing portfolio hedges.

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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