

BlackRock Scientific International Share

Quarterly Investment Option Update

31 March 2021

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	98.9
Cash	0	1.1

Sector Allocation	%
Information Technology	21.1%
Consumer Discretionary	15.9%
Financials	13.9%
Health Care	10.7%
Industrials	10.5%
Consumer Staples	8.5%
Communication Services	8.5%
Energy	3.1%
Materials	3.1%
Real Estate	2.1%
Utilities	1.7%
Other	1.1%

Regional Allocation	%
United States	68.7%
Japan	6.7%
Canada	4.6%
United Kingdom	4.0%
France	3.0%
Germany	2.9%
Hong Kong	1.7%
Netherlands	1.5%
Switzerland	1.5%

Top Holdings	%
APPLE INC	3.8%
MICROSOFT CORP	2.9%
AMAZON COM INC	2.5%
FACEBOOK CLASS A INC	1.3%
ACCENTURE PLC	1.2%
ALPHABET INC CLASS A	1.2%

Investment Option Commentary

The international stock selection strategy had a strong quarter in absolute terms; and outperformed its benchmark over the period. Value and Momentum were the main contributors amongst insights while Sentiment, Cross Border Thematics and Quality detracted. Geographically, the poor performance of Sentiment impacted the US, which was the major region detracting, however, this was more than offset by Japan and Far East Asia. Looking at sectors, HealthCare was the best performing sector thanks to overweights in healthcare providers and services in the US. Communications Services was another source of positive performance through overweights interactive media and services in the US while overweights added to the Financials sector. Personal products (overweights) in Japan and Germany were a drag on Consumer Staples while Information Technology detracted due to overweight software names in the US and Israel.

Market Commentary

The MSCI World Ex Australia Index gained +6.33% in unhedged AUD terms and 6.15% in fully hedged to AUD terms over the first quarter of the year.

Financial markets experienced mixed performance in the first quarter of 2021. A broad risk-on rally buoyed equities, energy and high yield credit, given the accelerated economic restart that is underpinned by progress on the vaccine rollout, continued US fiscal stimulus support and accommodative monetary policy around the globe. More defensive assets such as Sovereign bonds and gold struggled amidst this more optimistic backdrop.

Within the equities composite, developed markets outperformed their emerging markets counterparts. A pickup in virus cases in emerging markets, challenges with the vaccine rollout and limitations in terms of policy support weighed on financial markets in the region. European equities were amongst the best performers over the quarter. From a sector perspective, more cyclical sectors – especially, energy, financials and industrials have led the rally, with ‘Value’ stocks outperforming ‘Growth’ stocks.

In the US, the S&P 500 Index gained over 6% this quarter. One of the key headlines coming out of the US was the staggering US\$1.9 trillion of additional fiscal stimulus. The bill was approved by Congress in early March and was seen as the first major win for President Biden. This large coronavirus relief package secured a flurry of new federal spending and a temporary yet dramatic increase in anti-poverty programs aimed to help millions of Americans still struggling amid the pandemic. It is considered one of the largest economic rescue packages in US history and has caused economic and inflation forecasts to be revised up for the year. In addition, the vaccine rollout has gathered pace in the US and many investors expect the local economy to bounce back strongly in 2021. This development was supported by earnings outlook data from various US corporations and macro indicators that showed significant improvements in the US services sector and labour market. Corporate earnings results over the quarter were also broadly positive. The US Federal Reserve Bank (‘Fed’) re-affirmed its highly accommodative stance, which was well received by financial markets, diffusing concerns around inflation-led intervention. The minutes of the Fed’s March meeting confirmed that officials thought it would still be “some time” before substantial further progress would be made on its inflation and employment goals – and thus before it would start to flag an eventual tapering of its bond purchases.

European equity markets led the rally within the equities composite. The Euro Stoxx 600 Index gained over 10% this quarter, while German markets closed approximately 9% higher and the UK FTSE Index gained almost 5%. Within the European block, the domestic recovery story has been encouraging as evidenced by strong corporate earnings and forecasts. European manufacturing companies have benefitted from the rebound in global goods demand, while the financial sector benefitted from steeper yield curves. However, news around significant challenges with the vaccine rollout kept investors on their toes. Italy experienced political instability as Prime Minister Conte resigned. Macro data was mixed, though mostly positive. Within the UK, the vaccine rollout has been relatively successful as measured by vaccines administered per capita. A large proportion of UK companies have reported earnings figures that are ahead of expectations even though the recent lockdowns have weighed on economic activity.

Asian equities recorded mixed performance over the quarter. A stronger US dollar weighed on performance, while higher commodity prices helped commodity-heavy countries. Economic data was generally positive in the region, but investors have become increasingly concerned that higher inflation and weakness in local currencies could lead to policy tightening – seen as a negative for emerging markets. Chinese equities have had a difficult quarter, with higher volatility and negative performance overall. Japanese equities were amongst the best performers in the Asia region (up 7%), supported by strong exports and a higher cyclical exposure within the composite.

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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