BlackRock Global Allocation

Quarterly Investment Option Update

30 September 2021

Aim and Strategy

To maximise capital growth and investment income returns by investing in global shares, fixed income and cash. The investment manager will generally seek to invest in shares that are believed to be undervalued and expected to provide high total returns relative to alternative equity investments.

The strategy can also invest in all types of debt securities, although the investment manager may only invest up to 35% of the portfolio's assets in junk bonds, corporate loans and distressed securities.

The strategy may short sell securities and use financial derivatives to protect against risks or enhance returns. Currency is actively managed around a fully-hedged Australian dollar benchmark. The strategy is not bound by specific asset allocation ranges or diversification targets and has full flexibility to invest at any spectrum of its asset allocation range. The investment manager may vary the portfolio in response to changing market conditions and economic trends. The performance benchmark is a weighted average of the Australian dollar-hedged returns provided by market indices in underlying asset classes.

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	63.24
Fixed Income	40	23.39
Precious Metals	0	0.19
Cash Equivalents	0	13.18

Equity Sector Allocation	%
Communication Services	6.55%
Consumer Discretionary	9.81%
Consumer Staples	1.80%
Energy	2.93%
Financials	7.23%
Healthcare	8.66%
Industrials	6.76%
Information Technology	13.34%
Materials	3.70%
Real Estate	0.77%
Utilities	1.65%
Index Related	0.04%

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

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

Portfolio Summary

Global stocks generally fell in September, as the combination of global supply chain constraints, U.S. fiscal uncertainties, discussions of an eventual tapering of bond purchases by the U.S. Federal Reserve, and concerns regarding the global credit implications related to China's largest property developer, all conspired to weigh heavily on sentiment for risk assets during the month. Within fixed income, comments from the U.S. Federal Reserve regarding the future path of interest rates put upward pressure on yields across the U.S. Treasury curve during September. The resulting uptick in risk-free rates caused yields to rise across most government bond sectors, including U.S. municipals, international sovereigns, and emerging market debt.

Investment Option Commentary

Over the month, BlackRock reduced the fund's equity exposure but remain overweight stocks. BlackRock believe that market weakness reflected a combination of anxiety over China, supply issues (increasingly around energy), rate volatility, budget uncertainty and typical seasonal weakness. That said, BlackRock expect markets to stabilize in coming weeks and for equity markets to end the year above current levels. Looking ahead, BlackRock remain favorable on secular growth areas and would look for opportunities to add on weakness, particularly in technology, healthcare, and consumer discretionary. Given the point in the economic cycle, BlackRock prefer to focus on companies with a propensity to deliver strong and consistent earnings growth, rather than positioning for a big rebound in valuations.

From a regional perspective, the fund is overweight US equities, with an emphasis consumer discretionary, healthcare, industrials, and materials. While the fund remains tactically overweight European equities in an effort to capitalize on rising vaccination rates and accelerating mobility levels, which could serve as a catalyst for economic growth, BlackRock continued to trimmed exposure across the region as a way to recalibrate the fund's beta. Within China, despite the risk of short-term volatility, the fund remains modestly overweight, with targeted equity exposure to prominent e-commerce and consumer companies, along with, Taiwanese semiconductor manufacturers, on the view that long-term secular growth potential for these companies remains significant

Over the month, the fund added to select US retailers, using periods of market weakness to add to companies with attractive cash flow generation that have evolved their business models to be more virtual based. Increased exposure to select US medical device companies with innovative business model and are positioned to benefit from an aging demographic and future infrastructure spending. Amid concerns of supply chain constraints, the fund trimmed exposure to select European capital goods companies as BlackRock looked to rotate some of the fund's European cyclical exposure over to secular growth areas. Further reduced exposure to US banks over the month. As rates have historically been a leading indicator for banks, BlackRock believe a sustained rally in this sector will be difficult in an environment where bond yields remain suppressed. Within derivatives, BlackRock let the portfolio's positive convexity decrease via a reduction in exposure to long call index options to align with the fund's more cautious near-term positioning in equities.

Despite BlackRock's belief that most inflation pressures will prove to be transitory; high consumer demand, supply bottlenecks and a strong housing market will likely keep inflation above the post GFC average for the next several quarters. Longer term, aging demographics and technology adoption should continue keep inflation contained. BlackRock continue to believe the Fed should adjust monetary policy away from emergency conditions, as overly easy monetary policies are now contributing to distortions across the economy and financial markets. In the current environment, BlackRock are significantly underweight quality assets such as U.S. Treasuries and developed market sovereigns. Total portfolio duration was +0.8 years, a slight decrease from 1.0 years as of August month-end, and a significant underweight relative to a benchmark duration of 2.7 years. While market liquidity and demand for yield is likely to prevent a major backup in rates, the fund remains underweight duration as BlackRock believe real rates should start to normalize as the Fed commences tapering later this year.

BlackRock continue to emphasize spread assets with exposure in a diversified basket of credit, EM sovereigns and securitized debt. The aggregate exposure of these off-benchmark fixed income asset classes represented ~10% of AUM and is a key differentiator vs. more traditional "60/40" portfolios. Within credit, most of the exposure is in U.S. high yield which has historically been less sensitive to duration risk as compared to investment grade debt. The fund added exposure to securitized debt as BlackRock believe the asset class offers attractive carry and total return potential relative to other fixed income assets. Furthermore, securitized assets have historically tended to be less sensitive to interest rates than traditional high-quality bond sectors, which could bode well in a rising rate environment. Within emerging markets, exposure is diversified within select markets, notably Chinese government bonds, and in Latin America which BlackRock believe offer stability with potential for yield and/or spread compression. The fund has minimal exposure to gold-related securities (0.2% of assets) given BlackRock's expectation for strong economic growth, an increase in real interest rates, and a stronger USD.

Given the current environment, the fund maintains exposure to cash equivalents as BlackRock believe it to be a more efficient means to hedge equity risk compared to short- and intermediate-term U.S. Treasuries. The fund also holds cash as a source of funding as BlackRock look to opportunistically deploy capital. Positioning in the U.S. Dollar increased from 68% to 70% over the month, primarily funded by a reduction in exposure to the euro. This overweight reflects the belief that the USD can serve as a more reliable hedge in the current environment vs. traditional hedges such as gold or US Duration.

Availability

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

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

INSIGHTS
IDEAS
RESULTS