BlackRock Scientific Hedged International Share

Quarterly Investment Option Update

31-March-2017

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1336AU
AMP Flexible Super – Choice (Super)	AMP1465AU
CustomSuper	AMP0466AU
Flexible Lifetime – Allocated Pension	AMP0622AU
Flexible Lifetime – Investments (Series 1)	AMP0841AU
Flexible Lifetime – Investments (Series 2)	AMP1401AU
Flexible Lifetime – Super	AMP0466AU
Flexible Lifetime – Term Pension	AMP0911AU
SignatureSuper	AMP0788AU
SignatureSuper – Allocated Pension	AMP1140AU

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit **www.amp.com.au**. You can also view the last investment performance specific to you by visiting your My Portfolio account.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: To provide returns before fees, that exceed the MSCI World (ex-Australia) Index (unhedged to the Australian dollar with net dividends reinvested), over rolling 3 year periods, while maintaining a similar level of investment risk to the index. Investment risk is managed by diversifying across the world's developed countries and currencies, and by holding the shares of a large number of companies within each country. This option is not hedged to the Australian dollar.

Investment category: Global equities

Suggested Investment Timeframe: 7+ years

Relative Risk Rating: High

Investment Style: Style neutral

Asset Allocation	Benchmark (%)	Range (%)
International shares	100	99-100
Cash	-	0-1

Holdings

Industry Exposure	%
Consumer Discretionary	14.7%
Consumer Staples	9.8%
Energy	5.5%
Financials	13.0%
Health Care	13.7%
Industrials	12.9%
Information Technology	17.8%
Materials	4.2%
Real Estate	2.5%
Telecommunication Services	1.9%
Utilities	3.2%
Cash	0.8%

Regional Exposure	%
Austria	0.8%
Belgium	0.3%
Canada	3.2%
Denmark	1.7%
Finland	0.7%
France	3.7%
Germany	4.1%
Hong Kong	1.4%
Ireland	0.0%
Israel	0.2%
Italy	1.7%
Japan	7.7%
Netherlands	1.2%
New Zealand	0.1%
Norway	1.0%
Portugal	0.5%
Singapore	0.3%
Spain	1.3%
Sweden	1.7%
Switzerland	2.0%
United Kingdom	5.8%
United States	59.8%
Cash and Derivatives	0.8%

Top Ten Securities	%
MICROSOFT CORP	1.8%
APPLE INC	1.5%
JOHNSON & JOHNSON	1.3%
UNITEDHEALTH GROUP INC	1.3%
HOME DEPOT INC	1.3%
CISCO SYSTEMS INC	1.2%
TEXAS INSTRUMENTS INCORPORATED	1.1%
UNION PACIFIC CORP	1.1%
LOWES COMPANIES INC	1.1%
BANK OF NOVA SCOTIA	1.0%

Market Commentary

The MSCI World Ex Australia Index rose 0.85% in unhedged AUD terms and 5.70% in fully hedged to AUD terms in the first quarter of 2017. Risk assets broadly outperformed safer assets amidst signs of an improving global economy, while political threats remain on the horizon including U.S. policy uncertainty, hard Brexit negotiations and upcoming elections in Europe. Most global equity markets recorded strong gains over the quarter, with emerging market equities outperforming U.S. and European equities.

Global financial markets remained focused on the U.S. throughout the quarter, during which Donald Trump was inaugurated as the 45th president of the United States. Within days after Trump's inauguration, he formally withdrew the U.S. from the Trans-Pacific Partnership and vowed to renegotiate the North American Free Trade Agreement. He signed two executive orders, one relating to the building of a border wall with Mexico and the other on immigration. A new fiscal stimulus package was proposed, alongside supply side policy including tax cuts and less red tape. Despite a lack of detail from the Trump administration's proposed fiscal stimulus package, the general market view of an improving U.S. economy persisted. This view was reinforced by the release of encouraging economic activity data over the quarter, alongside steady economic growth, healthy employment figures and confidence that inflation in the U.S. is rising close to the central bank's target. In March, the Federal Reserve lifted the target overnight interest rate by 25 basis points to a range of 0.75% to 1.00% (as was widely expected), in an effort to return U.S. monetary policy to a more normal footing. U.S. equities rallied, with the S&P500 hitting new all-time highs and finishing the quarter 5.5% higher.

Other global equity markets also started the year on a positive note, amidst views that economic growth is not only picking up in the U.S. but beyond. In Europe, the Stoxx Europe 600 index finished the quarter over 5% higher. In the UK, the competing themes of stronger-than-expected economic data and political uncertainty around a 'hard' Brexit persisted. At the end of March, the UK Prime Minister Theresa May triggered Article 50, which initiated the two-year countdown to UK's withdrawal from the European Union. UK equities were relatively unfazed and the FTSE100 index finished the quarter 2.5% higher. German equities were among the best performing stocks in Europe with the DAX rising over 7%, as the largest economy in Europe showed signs of improvement. Emerging market equities also had a very strong quarter and broadly outperformed developed market equities, after underperforming in the previous three months.

Investment Option Commentary

The international stock selection strategy was very strong in March, resulting in a good active performance over the first quarter. Company fundamentals continued to do well, as Valuation and Quality insights produced. The trending Sentiment and Momentum insights also contributed to the positive performance, whilst Cross Border Thematics detracted. European (Consumer Discretionary and Energy) and North American (Industrials, Financials and Telecommunications) stocks contributed the most, whilst Japanese Health Care names led to detraction from that region. In Europe fundamental insights worked best, whilst in North America Quality was poor and positive performance was more driven by the trending insights. In Japan, Momentum was the main source of detraction.

Positive contributors to performance included an overweight in Hasbro and an underweight in Exxon Mobil.

Toy company Hasbro moved higher after a positive earnings announcement, where they announced increased revenue and profits. Most insights were positive, including Sentiment and Momentum insights, which drove the overweight position.

Oil company Exxon Mobil failed to recover after drifting lower leading into a disappointing Q4 earnings result, with lower earnings and a $2 billion impairment charge related to natural gas assets in North America. The underweight position was a result of negative Valuation, Sentiment, Quality and Cross Border Thematic insights.

Detractors from performance included an overweight in Target Corporation and an underweight in Apple Inc.

Retailer Target was lower after warning the market of softer sales, and announcing poor Q4 earnings where management also flagged strategic changes and provided negative guidance. The overweight position came through positive Valuation, Momentum and Quality insights tempered by negative Cross Border Thematic insights.

Technology firm Apple continued to gain after surprising the market with a very strong quarter led by strong iPhone sales. Negative Cross Border Thematics, Sentiment and Valuation insights led to the underweight position.

Outlook

Play ball!

Spring training is underway, bringing baseball players back for another season. It is a time of unbridled confidence, when every team imagines it will win the World Series, and every player will have a record-breaking year. Of course, few of these predictions come true. Investors appear to have a similar optimism these days, but just as even the greatest players can stumble, political realities and stretched valuations could well disrupt the market rally.

Knuckleball

For years, investors often took their cues by analyzing the nuances of Federal Reserve statements. Now, the focus has increasingly moved to parsing the ups and downs of the Trump administration. For example, equities rallied strongly after President Trump's acclaimed address before both houses of Congress in late February, but stumbled after questions surrounding Attorney General Jeff Sessions broke the next day.

Hit and run

Certainly, the potential Trump administration policies represent an important shift in market sentiment and expectations. But it is important to note that signs of rising economic growth coupled with accelerating inflation—so-called reflation—actually predate President Trump's election. Economic data already show an improving economic picture, before the new administration's policies have even been enacted. Moreover, it is a global phenomenon. In short, we still see reflation as the driving force for the market whether it gets a "steroid boost" from new policies or not.

Small ball strategies

U.S. stocks are not cheap, but there are pockets worth considering, such as financials and value. We still prefer stocks over bonds, and within stocks looking overseas in Europe, Japan and emerging markets, particularly in Asia. Still, investors may need to play a game of "small ball"—by focusing on grinding out runs through singles and moving the runner forward, rather than hoping for the home run.