

Blackrock Global Allocation

Quarterly Investment Option Update

30 September 2018

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 a high total return 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. BlackRock 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.

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	5 / Medium to high
Investment style	Specialist

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	62.05
Fixed Income	40	30.02
Commodity-Related	0	1.04
Cash Equivalents	0	6.89

Top Holdings	%
Consumer Discretionary	8.58
Consumer Staples	3.53
Energy	6.56
Financials	7.43
Healthcare	10.67
Industrials	3.96
Information Technology	12.44
Materials	2.94
Real Estate	1.64
Telecom Services	2.21
Utilities	1.66
Index-Related	0.43

Regional Allocation	%
North America	60.87
Europe	11.23
Asia	17.08
Latin America	2.42
Africa/Mid East	0.47
Commodity-Related	1.04
Cash Equivalents	6.89w

Portfolio Summary

- While it is difficult to forecast exact timing, BlackRock believe that the U.S. are in the later stages of the U.S. economic cycle and would anticipate market volatility moving higher from the lows experienced in recent years. As such, the Fund Manager will continue to look for opportunities to build resiliency into the portfolio.
- Overweight Asia, Underweight Europe, Australia, US
- Overweight health care, energy, consumer discretionary, technology, Underweight industrials, financials, consumer staples.

Investment Option Commentary

In September, the Fund added to select U.K. and U.S. telecom companies with attractive dividend yields that exhibit lower volatility.

The Fund maintain exposure to companies in the U.S. and emerging Asia that BlackRock believe have sustainable growth and profitability, in particular those with exposure to digital spending, an area that has proven to be more resilient than traditional advertising in prior market downturns.

While the Fund Manager are materially underweight global duration, BlackRock prefer to source the majority of our duration from the U.S. The Fund Manager continue to believe that U.S. duration offers better value, given the Fed is well into a tightening cycle and the majority of Fed guidance appears to be priced into U.S. interest rate markets.

The Fund Manager selectively added to positions in investment grade credit, primarily within short-dated securities given the attractive risk-adjusted carry. BlackRock continue to focus on high quality issuers where they believe the credit risk to be low. The fund's cash position serves as a diversifying asset class to help manage risk in the portfolio during periods of market volatility, while providing reserves that can be put to work as better opportunities arise.

Market Commentary

Economic evidence suggests global growth to remain positive with increased divergence across regions. Global growth continues to be led by the U.S., which is supported by strong job growth, improving wages, and fiscal stimulus. While U.S./China trade concerns continue to pose risks to Asian equity markets, BlackRock believe that above-average long-term growth potential, coupled with low relative valuations, make Asian equities attractive investments for longer term investors.

BlackRock continue to favor equities over fixed income, but have recently shifted the portfolio's equity positioning to be more defensive, due to the diminishing impact of recent U.S. tax cuts coupled with tightening financial conditions, which include rising interest rates, rising oil prices, and a strengthening U.S. dollar.

Despite solid economic growth, BlackRock recognise that a continued tightening of global financial conditions, coupled with elevated geopolitical risk, could lead to an increase in market volatility. In addition, BlackRock believe it is important to diversify equity risks more broadly, and hold exposure to cash equivalents, U.S. Treasuries, and an overweight to U.S dollar (USD) assets in an effort to help manage overall portfolio volatility.

Outlook

A solid near-term global growth outlook is clouded by persistent and elevated uncertainties. Above-trend U.S. economic activity is underpinning G7 gross domestic product (GDP) growth. BlackRock believe global growth can sustain at above-trend levels, even as the range of potential macro outcomes widens heading into 2019.

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

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