Blackrock Global Allocation

Quarterly Investment Option Update

31 March 2019

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	56.34
Fixed Income	40	33.54
Commodity-Related	0	2.38
Cash Equivalents	0	7.74

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.

Equity Sector Allocation	%
Communication Services	8.06
Consumer Discretionary	4.85
Consumer Staple	4.57
Energy	6.92
Financials	6.04
Healthcare	7.73
Industrials	5.38
Information Technology	5.47
Materials	2.91
Real Estate	2.18
Utilities	2.05
Index-Related	0.18

Regional Allocation	%
North America	62.87
Europe	10.56
Asia	14.77
Latin America	1.46
Africa/Mid East	0.22
Commodity-Related	2.38
Cash Equivalents	7.74

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

Investment Summary

- Looking back over the first quarter, BlackRock believe the strength of global equity markets is somewhat unprecedented given the moderation in global growth, secular headwinds, and the belief that central banks have taken a pause in the tightening cycle as opposed to a full reversal in policy towards easing. While BlackRock do not think a global recession is imminent, they are cognizant of the slower growth environment. As such, BlackRock have reduced the overall portfolio beta to reflect a less benign environment for risk assets. In a recent blog, Russ Koesterich discussed the divergence that stock prices and bond yields have exhibited thus far in 2019, with declining bond yields signaling an economic slowdown while persistent strength inequities suggesting otherwise. The extent to which this divergence can continue, and ultimately support the strength in the equity markets, may depend on higher inflation expectations.

- While BlackRock still favor equities relative to fixed income, BlackRock have positioned the portfolio more defensively. Within equities, BlackRock see value in Asia and have favored less cyclical stocks in the U.S. BlackRock remain focused on stocks that are more defensive in nature and feature some combination of low economic cyclicality, pricing power, and low financial leverage, as BlackRock believe companies with these characteristics will tend to be more resilient during periods of market volatility.

- Within fixed income, BlackRock are also focused on quality, with the majority of exposure in U.S. Treasuries. In addition, BlackRock believe it is important to diversify equity risks more broadly and hold exposure to cash, gold, the U.S. dollar and Japanese yen to help manage volatility. In this environment, BlackRock believe it is prudent to remain vigilant for changes in the correlation characteristics between asset classes.

- BlackRock continued to add to high quality U.S. aerospace and defense, and U.S. multi-industry companies based on attractive valuations and as beneficiaries of consolidated markets. While BlackRock remain underweight the global industrial sector, BlackRock have become more constructive within select areas in recent months due to improving operating fundamentals and attractive evaluations after a period of sector underperformance.

- BlackRock trimmed exposure within communication services as part of an effort to rebalance the portfolio. Fundamentals in the space remain quite positive as the cable companies continue to report strong broadband growth and the tower companies are seeing strong leasing demand, particularly in Europe.

- The fund remains underweight global duration. The majority of our duration continues to be sourced in the U.S. through U.S. Treasuries. With the Federal Reserve on hold for the foreseeable future, BlackRock have maintained their exposure to 5-year U.S. Treasuries, as they think that the “belly” of the curve offers the best combination of carry and diversification benefit. BlackRock remains underweight bonds in both Europe and Japan, given negative real yields, and they believe the limited monetary policy scope in both geographies will reduce their ability to protect in a risk-off scenario.

- BlackRock maintains a position in 5-year Treasury Inflation Protected Securities (TIPS) despite their strong relative performance year to date. Although 5- year implied inflation expectations (TIPS breakeven rates) have moved higher the past few months, they are inclined to maintain the position given the pivot by the Federal Reserve and the continuing discussion of expanding the US inflation target.

- BlackRock selectively added to positions in investment grade credit, primarily within short-dated securities given the attractive risk adjusted carry. They continue to focus on high quality issuers where they believe the credit risk to be low.

- BlackRock maintains an overweight to the U.S. dollar, mainly versus the euro, as they believe that growth differentials between the two regions will continue in the near term. They modestly increased exposure to the Japanese yen as it has cheapened versus the U.S. dollar over the past month and has typically provided portfolio diversification.

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 (Mon. to Fri. 8:30am to 7:00pm AEST)

INSIGHTS
IDEAS
RESULTS