

# Blackrock Global Allocation

Quarterly Investment Option Update

30 June 2019

## 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.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Multi Sector
<b>Suggested investment timeframe</b>	5 years
<b>Relative risk rating</b>	5 / Medium to high
<b>Investment style</b>	Specialist
<b>Manager style</b>	Single manager

Asset Allocation	Benchmark (%)	Actual (%)
Equities	60	62.44
Fixed Income	40	35.93
Commodity-Related	0	0.97
Cash Equivalents	0	0.66

Equity Sector Allocation	%
Communication Services	8.05%
Consumer Discretionary	6.09%
Consumer Staple	4.53%
Energy	6.35%
Financials	7.48%
Healthcare	8.57%
Industrials	7.59%
Information Technology	6.82%
Materials	2.77%
Real Estate	2.25%
Utilities	1.88%
Index-Related	0.06%

Regional Allocation	%
North America	66.73
Europe	17.00
Asia	13.24
Latin America	1.14
Africa/Mid East	0.26
Commodity-Related	0.97
Cash Equivalents	0.66

## Portfolio Summary

### Investment Option Commentary

Within U.S. equities, the investment manager continue to focus on stocks that feature some combination of high profitability, low debt-to-equity, pricing power and earnings consistency – as stocks with these characteristics tend to perform well when markets are volatile. Within select regions outside of the U.S., they see similar or improved earnings trajectories, more supportive central bank policies, and attractive valuations.

While the fund remains underweight fixed income, the investment manager continues to look for ways to add diversification and yield to the portfolio, with a focus on U.S. duration as well as select opportunities in investment grade credit. The Fund's overall risk profile is calibrated to ensure that the risks taken are consistent with the Fund's mission. As a flexible, diversified and risk aware strategy, Global Allocation seeks to provide competitive returns with less risk than global equity markets over a full market cycle.

BlackRock continue to observe that industrial companies with longer cycle businesses (i.e., those that tend to work off a back log) report higher revenue growth, as compared to those with shorter cycles (i.e., real-time book & ship), which tend to be more subject to real time global uncertainties. As such, the investment manager favor high quality U.S. aerospace and defense, and U.S. multi-industry companies and have added to European companies based on attractive valuations, including longer cycle businesses within capital goods.

The fund remains underweight consumer discretionary, with more meaningful underweights to the retailing and consumer services industries given macro headwinds, pressure from internet retailers and margin pressure. BlackRock have added to select names within the retailing industry after significant pull back in some quality names due to concerns related to tariff/trade war.

Although the fund remains underweight global duration, BlackRock have continued to increase duration throughout the quarter (total portfolio duration was 2.1 years as of June month-end vs. 1.4 as of March month-end). The majority of the fund's duration continues to be sourced from the U.S. through U.S. Treasuries, with positioning more weighted toward the 10-year part of the curve. The continued dovish stance by the FOMC (in light of U.S./China trade tensions, cooling global growth and declining U.S. inflation expectations) gives us comfort that they will act to loosen monetary policy if necessary, which should create an environment where U.S. Treasury prices will continue to be negatively correlated with the prices of risky assets. BlackRock have added to European rates, specifically in Germany and France, which effectively reduced the underweight in European sovereign bonds relative to the reference benchmark. Given the explicit acknowledgement by the European Central Bank (ECB) that they would need to provide more accommodation unless economic conditions improve, BlackRock thinks that "core" European government bonds should provide similar diversification benefits to U.S. Treasuries despite trading at negative real yields.

BlackRock maintain an overweight to the U.S. dollar, (albeit at a smaller size than in recent months), mainly versus the euro, as they believe that growth differentials between the two regions will continue in the near term. They also have a sizable underweight to the Australian dollar (against the U.S. dollar) given ongoing economic weakness in Australia. They maintain an overweight to the Japanese yen versus the U.S. dollar, as the yen typically provides portfolio diversification for risk assets.

### Market Commentary

Despite an environment that is characterized by a decelerating rate of growth, we believe the global economic backdrop is one that remains fairly stable. During June the investment manager saw a policy shift from the Federal Reserve, European Central Bank, and other emerging market central banks toward one characterized by easier monetary policy and broad support for maintaining the global economic expansion. Despite the pick-up in market volatility during the quarter, the investment manager believe the global economic backdrop remains fairly stable amid easier financial conditions which they believe should be supportive for risk assets

## 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](http://www.amp.com.au)

Email:

[askamp@amp.com.au](mailto:askamp@amp.com.au)

Phone: 131 267

Fax: 1300 301 267

Mail: Customer Service

PO Box 300

Parramatta NSW 2124



### What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.