

Blackrock Scientific Hedged International Alpha Tilts

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide returns before fees that exceed the MSCI World ex-Australia Net TR Index (hedged in AUD) by 2.5% to 3.0% pa over rolling three-year periods, while maintaining a similar level of investment risk to the index. The strategy utilises a combination of active stock selection strategies across international developed stock markets that aim for the best trade-off between returns, risk and costs.

Investment risk is managed by diversifying across many regions and countries and by holding the shares of a large number of companies within each industry. A passive currency hedge is used to convert the currency exposure of the Index back to Australian dollars. This type of hedging strategy involves the forward sale of a set of currencies in amounts that correspond to the beginning of period value of the international assets in the portfolio. The hedge is then reset periodically or as required, to account for any changes in the value of the international assets in the portfolio. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to leverage exposures.

Investment Option Performance

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

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Core (Hedged)
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	99-100	99.5
Cash	0-1	0.5

Regional Allocation	%
United States	61.7%
Japan	8.2%
France	3.7%
Switzerland	3.6%
United Kingdom	5.7%
Canada	3.7%
Germany	3.0%
Netherlands	2.1%
Ireland	1.5%
Italy	0.7%
Denmark	0.6%
Sweden	0.9%
Finland	0.4%
Belgium	0.3%
Spain	1.0%
Hong Kong	1.3%
Norway	0.2%

Sector Allocation	%
Information Technology	16.5%
Financials	14.8%
Health Care	13.4%
Industrials	10.8%
Communication Services	10.4%
Consumer Discretionary	10.0%
Consumer Staples	7.9%
Materials	4.4%
Real Estate	4.2%
Energy	3.6%
Utilities	2.9%
None	1.1%

Top Holdings	%
Amazon com inc	2.4%
Microsoft corp	1.8%
Apple inc	1.7%
Johnson & johnson	1.7%
Facebook class a inc	1.6%
Visa inc class a	1.6%
JPMorgan chase & co	1.5%
Roche holding par ag	1.3%
Wells fargo	1.3%
Merck & co inc	1.3%
Nestle sa	1.2%
Comcast corp class a	1.1%

Portfolio Summary

Market Commentary

The MSCI World Ex Australia Index gained 5.2% in unhedged AUD terms and 3.4% in fully hedged to AUD terms in the second quarter of 2019. After an impressive first quarter with strong equity performance and financial markets trading in a benign fashion, the second quarter of 2019 was more volatile. Global equity markets gained significantly in April before falling sharply in May to then recover again in June. Shifts in central bank policy, geopolitical risks and developments in US-China trade negotiations were key market drivers over the quarter. Corporate earnings results were encouraging, but not exceptional. Subdued expectations had lowered the bar for earnings beats as many investors expected earnings growth to be the lowest in years. Yet, total corporate profits of companies within the MSCI World Index eaked out a small positive growth rate. Nonetheless, earnings momentum has weakened as the global economy appears to be slowing and international trade conflicts are starting to bite. The US Federal Reserve has pivoted toward a dovish stance and indicated the potential for an interest rate cut in the near future. Financial markets went a step further and are now pricing in three to four rate cuts over the next year (as of end-June). US policymakers were not alone in pivoting to a more dovish/easier stance. The Reserve Bank of Australia (RBA) lowered its cash rate by 25 basis points in early June, while the European Central Bank (ECB) has put all easing tools back on the table, including restarting quantitative easing (QE) and cutting rates further. Governments around the globe look ready to either employ more fiscal stimulus or keep expansionary budgets running – few seem to worry about ballooning debt levels.

Strategy Commentary

The international stock selection strategy made strong gains over the quarter mostly driven by Cross Border Thematics, Sentiment and Momentum. Most regions saw positive performance, highlighted by positive performance in Europe (Cross Border Thematics and Momentum) and the US (Cross Border Thematics and Momentum). Sectors that contributed the most included our positioning in North American semi-conductors and overweights in IT services. North American underweights and overweights European Machinery helped the Industrials sector. The Energy sector also added to performance, especially through our underweights in North American Oil, Gas and Consumables Fuel names. Over the quarter, Real Estate and Utilities were the main detractors.

Availability

Product name	APIR
Flexible Lifetime Investment	AMP0839AU
Flexible Lifetime Investment (Series 2)	AMP1400AU
AMP Flexible Lifetime Super	AMP0663AU
AMP Flexible Super - Retirement account	AMP1335AU
AMP Flexible Super - Super account	AMP1464AU
CustomSuper	AMP0663AU
Flexible Lifetime - Allocated Pension	AMP0621AU
Flexible Lifetime - Term Pension	AMP0910AU
SignatureSuper	AMP0787AU
SignatureSuper Allocated Pension	AMP1139AU

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