

# Blackrock Scientific 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 (unhedged 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 option 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. This option is not hedged to the Australian dollar. 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](http://amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Global Shares
<b>Suggested investment timeframe</b>	7 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Core
<b>Manger style</b>	Single

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

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%

## 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	AMP0841AU
Flexible Lifetime Investment (Series 2)	AMP1401AU
AMP Flexible Lifetime Super	AMP0466AU
AMP Flexible Super - Retirement account	AMP1336AU
AMP Flexible Super - Super account	AMP1465AU
CustomSuper	AMP0466AU
Flexible Lifetime - Allocated Pension	AMP0622AU
Flexible Lifetime - Term Pension	AMP0911AU
SignatureSuper	AMP0788AU
SignatureSuper Allocated Pension	AMP1140AU

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