Blackrock Scientific International Share

Quarterly Investment Option Update

31 December 2021

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/performance

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Core

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	95-100	99.2
Cash	0-5	0.8

Regional Allocation	%
United States	70.5%
Canada	5.3%
Japan	4.6%
Germany	3.8%
United Kingdom	2.5%
France	2.5%
Netherlands	2.3%
Finland	1.8%
Ireland	1.5%
Switzerland	1.2%
Norway	0.8%
Sweden	0.7%
Israel	0.5%
Hong Kong	0.5%
Spain	0.4%
Denmark	0.4%
Luxembourg	0.4%
Portugal	0.2%
Austria	0.1%
Italy	0.0%
New Zealand	0.0%
Belgium	0.0%
Singapore	0.0%
None	0.0%

Sector Allocation	%
Information Technology	26.4%
Health Care	15.0%
Financials	11.8%
Industrials	11.1%
Consumer Discretionary	8.3%
Communication Services	7.7%
Consumer Staples	7.1%
Energy	3.6%
Real Estate	3.2%
Utilities	2.6%
Materials	2.4%
None	0.8%

Top Holdings	%
APPLE INC	5.2%
MICROSOFT CORP	4.8%
AMAZON COM INC	2.2%
ALPHABET INC CLASS C	1.7%
JOHNSON & JOHNSON	1.6%
NVIDIA CORP	1.6%
ASML HOLDING NV	1.5%
VISA INC CLASS A	1.4%
TESLA INC	1.4%
WALMART INC	1.3%

Portfolio Summary

Market Commentary

The MSCI World Ex Australia Index gained 7.19% in unhedged AUD terms and 7.90% in fully hedged to AUD terms over the last quarter of 2021.

The last quarter of the year was a volatile one for financial markets. The emergence of the Omicron variant of COVID-19 pushed global case numbers to new highs, adding significantly to investor uncertainty over the period. Despite the tightening of restrictions in some regions, central banks pushed ahead with their normalization plans and took on a more hawkish tilt. Recent data supported the notion that the Omicron variant has a milder effect on the population and hospitalization rates appeared manageable. Investors looked through the noise and volatility in markets and pushed equity prices higher over the period. Nonetheless, concerns around a slowdown in global growth, geopolitical tension, inflation and supply chain constraints remain elevated into 2022.

Most developed market equities finished the quarter positive after a moderate correction in November. Emerging markets equities were slightly down, weighed by China as the country continues to undergo regulatory change to provide a more stable backdrop for long-term growth in 2022. High inflation continues to be a key topic in the US, Europe, parts of Asia and New Zealand. Developed market government bond indices, including New Zealand bonds also experienced a volatile period and finished the year down as rates continued to advance amidst upward trending inflation.

In the US, the S&P 500 Index gained 11% over the quarter (in local currency terms). Despite hawkish Federal Reserve (Fed) comments and the emergence of the Omicron virus weighing on investor sentiment, strong corporate earnings growth helped generate positive equity returns over the period. In terms of sectoral moves, Real Estate and Technology stocks outperformed over the quarter, with the S&P 500 setting a dividend payment record, signaling a move past the COVID recovery.

On the policy front, the US Fed adopted a more hawkish stance on the back of a tightening US labor market and ongoing inflationary pressures. The Fed doubled the pace of tapering and signaled three rate hikes in 2022. It also indicated that its balance sheet run-off will likely start sooner, and the run-off amounts will likely be larger. US GDP growth expanded at an annual rate of 2.3% in Q3, outpacing estimates of 2.1% despite record COVID-19 cases and hospitalizations. Strong consumer demand and a sharp rise in wages was coupled with a drop in the unemployment rate to 3.9% in December, a pandemic low. However, the US economy is still 3.6 million jobs short of pre-pandemic levels, indicating that many are still reluctant to return to the workforce given the prevalence of both the Delta and Omicron variants of COVID-19 within the economy. This was furthered by a fall in the December flash services PMI, signaling a loss of momentum into 2022.

European equity markets represented through the Euro Stoxx 600 Index gained 6.4% over the quarter (in local currency terms). The Utilities sector was one of the strongest performers, with Information Technology also seeing a robust advance.

Within the European block, annual inflation grew to an all-time high of 5% as high energy prices and supply chain disruptions added heavily to the December inflation figure. A rapid increase in COVID-19 infections as a result of the colder climate and contagious nature of the Omicron variant hindered growth. The IHS Markit Eurozone Services PMI declined to 53.3 in December. However, a slowdown in new businesses and reintroduction of COVID related restrictions did little to dampen December's manufacturing PMI with healthy expansion indicating strong consumer confidence. The European Central Bank (ECB) decided to end its bond purchases under its pandemic emergency purchase program (PEPP) by March 2022 however, bond buys under the Asset Purchase Program (APP) will ramp up to serve as a segue until the end of the PEPP. December also marked the end of Angela Merkel's 16-year tenure as Chancellor of Germany, with newly elected Olaf Scholz of the Social Democrats expected to introduce decarbonization and digitalization policies alongside a strong fiscal revamp from 2023 onwards.

Within the UK, equity markets finished the fourth quarter with positive gains of almost 5%, as measured by the FTSE Index. A slowdown in the UK economy, prior to the emergence of the Omicron variant, revised GDP growth figures from 1.3% to 1.1% in Q3. Despite the end of the UK furlough program, labour markets continued to tighten as the unemployment rate dropped to 4.2% and job vacancies peaked to 1.2 million, signaling further wage related price increases. Disruptions to global supply chains and high energy prices pushed the UK CPI to 5.1% year-over-year in

November, the highest rate in a decade. The Bank of England subsequently raised interest rates by 0.15% to 0.25%, marking the first-rate hike in three years.

Asian equities recorded mixed performances over the quarter, driven by pandemic-related restrictions and global concerns over the spread of the Omicron variant. China's economy continued its recovery, albeit at a slower pace, with GDP growing at 4.9% in Q3, down from 7.9% in Q2. Contrary to other global banks, the People's Bank of China (PBOC) reduced lending costs through cuts to the short-term loan prime rate and reserve requirement ratio in a bid to support domestic businesses. Macro data pointed to a slowdown in China's domestic consumption, with weakened retail sales in Q3 driven by continued job uncertainty and crackdowns on real estate developers, both factors affecting consumer confidence. Chinese equities gained 1.6% over the quarter but underperformed most global peers.

Strategy Commentary

The international stock selection strategy had a very positive quarter in absolute terms and outperformed its benchmark. Sentiment was the main driver of performance across most regions, with small detractions from Cross Border Thematics and Valuation insights. Gains were made in North America, particularly overweights in Canadian firms, and in Europe. In North America, Communication names did well whilst Financials struggled, though Financials were additive in Japan and Europe. Japanese Information Technology and European Materials companies also did well. Overall, the Information Technology and Communication Services sectors did best, with contribution from Industrials and Real Estate, whilst the Consumer Discretionary, Consumer Staples and Materials sectors detracted.

Positive contributors to performance included an overweight position in Apple and an underweight position in Paypal Holdings.

Apple – The American tech giant Apple continued to rally into the end of the year after posting another strong quarterly result, as its market capitalisation approached USD 3 trillion. The overweight position was driven by strong Momentum insights.

Paypal Holdings – American payment company Paypal trended lower over the quarter as both payment volumes and revenues slowed, whilst expenses rose. The underweight position was a result of negative views for Momentum, Cross Border Thematics, and Quality insights.

Detractors from performance included overweight positions in Takeda Pharmaceuticals and Medtronic.

Takeda Pharmaceuticals – Japanese biopharmaceutical firm Takeda Pharmaceutical halted its clinical program for narcolepsy due to safety concerns in a clinical trial. The small overweight position was a result of positive Momentum and Sentiment insights.

Medtronic – American medical device company Medtronic downgraded expectations due to a greater than expected impact of the pandemic and the resulting health care staffing challenges. Revenues still grew for the quarter and management reiterated full year EPS guidance. Most insight groups were positive, resulting in the overweight position.

Availability

Product name	APIR
SignatureSuper*	AMP0788AU
SignatureSuper Allocated Pension*	AMP1140AU
SignatureSuper Term Pension*	AMP1140AU
Flexible Lifetime Investment (Series 2)**	AMP1401AU

*Closed to new investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267 (Mon. to Fri. 8:30am to 7:00pm AEST)

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