

Zurich American Century Global Growth

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide investors with long-term capital growth by using a distinctive growth-oriented investment strategy designed for long-term investors who want to capitalise on the unique opportunities presented by fast-growing companies around the world. The portfolio invests in securities listed on international stock exchanges and aims to outperform the MSCI World ex-Australia Index in Australian dollars over periods of five or more years

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	7+ years
Relative risk rating	6 / High
Investment style	Growth
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	
Cash	0	

Sector Allocation	%
Communication Services	4.0
Consumer Discretionary	11.0
Consumer Staples	6.6
Energy	4.0
Financials	16.8
Health Care	15.4
Industrials	12.9
Information Technology	18.2
Liquids	2.7
Materials	5.0
Real Estate	3.6
Utilities	0.0

Regional Allocation	%
US	68.8
Canada	0.7
UK	5.2
Europe	9.7
Asia ex-Japan	5.1
Japan	6.2
Emerging Markets	1.6
Cash	2.7

Top Holdings	%
Alphabet	2.8
Visa Inc	2.5
Amazon.com Inc	2.4
Equinix Inc	2.2
American Express Co	1.8
Adobe Inc	1.8
AIA Group Ltd	1.7
IHS Markit Ltd	1.6
Alibaba Group Holding Ltd ADR	1.5
Becton, Dickinson and Co	1.4

Portfolio Summary

- Key positive contribution in the September quarter came from Equinix, London Stock Exchange Group and Sherwin Williams Company. Negative contributors included Pioneer Natural Resources and AIA Group.
- Global stocks ended the quarter higher as investors reassessed their August pessimism about the global economic outlook and risks of an escalating trade war.
- The investment team remains biased toward companies where growth is driven by secular rather than cyclical change and believes that it pays to be highly selective at this stage in the economic cycle.

Investment Option Commentary

The key contributors to relative performance included Equinix, London Stock Exchange Group and Sherwin-Williams Company. Equinix gained after management reported quarterly earnings that beat analysts' estimates and raised 2019 revenue guidance. In particular, the company benefited from strength in its European business, where it continues to roll out price increases. Capacity utilisation rates suggest that demand drivers remain strong. London Stock Exchange group gained on news that it is in talks to buy market insights and trading platform Refinitiv. The acquisition would boost the company's existing data and analytics products. Management also reported an acceleration in quarterly revenue and expanded margins. Further lifting the stock price was an unsolicited bid for the company in September. Paint company, Sherwin-Williams, exceeded quarterly earnings expectations. Helping to drive results were strong volumes in its US retail segment and improved price execution, which increased margins. Results also were supported by synergies from its acquisition of Valspar. The investment team believe the company is well positioned to benefit from improving industry trends.

The key detractors from relative performance included Pioneer Natural Resources and AIA Group. Headwinds for oil and gas producer, Pioneer Natural Resources, included low oil prices as slowing global growth exacerbated by underlying supply/demand imbalance. Concerns about slowing M&A activity for producers in the Permian Basin also weighed on shares. Nonetheless, the underlying thesis around sustained production growth and falling costs remains intact. AIA continues to benefit from the rising penetration of life insurance products in Asia. Recently, however, shares have been pressured by the uncertain impact of protests in Hong Kong. New business bookings in core markets, including China, remain strong. The investment team continues to follow and quantify the impact of the protests on the investment thesis.

Market Commentary

Global stocks ended the quarter higher as investors reassessed their August pessimism about the global economic outlook and risks of an escalating trade war. Stocks in general ended the period with a solid gain as recession fears eased and investors focused on prospects for renewed US-China trade talks. Dovish central bank policy also supported gains.

September saw a rotation within the index to value stocks over growth. After the sustained outperformance of growth over value from a style perspective, the end of the third quarter saw a reversal of trends. Companies with cheap valuations but low earnings growth and earnings revision trends rallied. The investment team believes that the sustainability of this leadership change remains highly uncertain.

Outlook

The portfolio continues to invest in companies where the investment team believes that business fundamentals are improving and where they have high conviction that the improvement is sustainable. While corporate earnings growth at the index level continues to decelerate, at the company level the investment team is finding diverging trends, such as muted earnings for companies that are leveraged to global manufacturing but sustained growth for companies that have innovative services and solutions.

The investment team remains biased toward companies where growth is driven by secular rather than cyclical change and believes that it pays to be highly selective at this stage in the economic cycle. Individual opportunities include medical tools and devices companies that are benefitting from research and development spending trends, select Financials given demand for data and analytics as well as information technology companies that are being driven by secular growth trends, such as e-commerce, payment systems, cloud computing and the rollout of 5G technologies.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1031AU
AMP Flexible Super - Retirement account	AMP1363AU
AMP Flexible Super - Super account	AMP1492AU
CustomSuper	AMP1031AU
Flexible Lifetime - Allocated Pension	AMP1020AU
Flexible Lifetime - Term Pension	AMP1041AU
Flexible Lifetime Investment	AMP1054AU
Flexible Lifetime Investment (Series 2)	AMP1427AU
SignatureSuper	AMP2011AU
SignatureSuper Allocated Pension	AMP2017AU

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