

Responsible Investment Leaders International Share

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the MSCI All Country World Index (net dividends reinvested) on a rolling five-year basis. The portfolio invests primarily in international shares diversified by region, industry and company type and is managed using a responsible investment approach. The portfolio may also invest a portion of its assets in emerging markets. In certain market conditions, the portfolio may hold a higher level of cash (see additional information about Responsible Investment Leaders for more information).

Investment Option Performance

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

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	94.66
Australian Shares	1.08
Listed Property and Infrastructure	1.57
Cash	2.69

Sector Allocation	%
Financials	17.61
Information Technology	16.33
Consumer Discretionary	11.35
Health Care	11.12
Consumer Staples	9.80
Industrials	9.43
Communication Services	8.36
Materials	5.67
Energy	3.97
Cash	2.90
Real Estate	2.36
Utilities	0.81
Others	0.30

Top Holdings	%
Microsoft Corp	2.38
Sony Corp	1.75
Visa Inc	1.71
Alphabet Inc	1.61
TSMC	1.43
Johnson & Johnson	1.32
Roche Holding AG	1.31
Apple Inc	1.28
American Express Co	1.24
Verizon Communications Inc	1.19

Region Allocation	%
North America	48.19
Europe ex UK	18.24
Asia ex Japan	13.77
Japan	8.60
United Kingdom	4.48
Cash	2.90
Others	2.73
Australasia	1.08

Fund Performance

The Fund slightly underperformed the benchmark over the December quarter. Stock selection was the main contributor to performance, however, this was offset by the sector allocation effect. Stock selection contributed positively within industrials, with an underweight to Boeing and overweights to International Airlines Group plus Atlas Copco adding the most value. Conversely, stock selection in the information technology sector was the major detractor from relative performance, including an underweight to Apple in addition to an overweight to Infosys. Stock selection in energy and materials further detracted from performance. At the manager level, Lazard outperformed the Fund benchmark whilst Boston Partners, the Ethical Leaders Emerging Markets Fund and C Worldwide underperformed. The overweight allocation to emerging markets was a contributor, as emerging markets outperformed their developed counterparts over the quarter.

Environmental Social Governance

Modern slavery and companies' supply chains continued to be a key area of focus for AMP Capital's Ethical Leaders (EL) managers. In Australia, activity included discussing wage underpayments and stopping cotton being sourced by several Wesfarmers subsidiaries from China's Xinjiang province, due to suspected mass human rights abuses. Globally, a number of companies operating across IT and consumer products in emerging markets were also engaged.

Climate change continued to dominate EL managers' engagement agendas and will likely ramp up in 2020. Direct company engagements occurred to push forward improvements in each of the following four key areas: industry association membership, Kyoto carryover credits, TCFD disclosures especially scenario analysis, and emissions reduction commitments aligned to the Paris Agreement goals. Other engagements included meeting with the Minerals Council of Australia and presenting at the Responsible Steel Forum.

Other activity during the period included progressing issues related to corporate governance (such as director 'overboarding') and proxy voting; social media content governance; obesity and nutrition; and reporting on progress to improve access to medicine.

Market Review

Global share markets were up significantly over the December quarter, with the MSCI World ex Australia index finishing the period up by 7.66%. Drivers included strong US corporate earnings, the announcement of a "phase one" trade deal between China and the US in December, prevailing stimulatory central bank policies around the globe and an emphatic election result in the UK (leading to an apparent resolution to ongoing Brexit delays). Against a backdrop of a solid US economy with generationally low unemployment, these factors combined to spur optimistic investor sentiment around the globe. Indices that were notably strong included the US S&P 500 (up by 9.07%), the Chinese S&P/CITIC300 (up by 7.13%) the European DJ Euro STOXX 50 (up by 5.35%) and the German DAX (up by 6.61%). Emerging markets, meanwhile, produced some of the strongest returns of all; the MSCI Emerging Markets index finishing the quarter up by 9.54% on improving trade relations between China and the US, strong commodity prices and broader positive market-sentiment. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Heading into 2020, global share valuations continue to look broadly reasonable, particularly when compared against low bond yields. Global growth indicators are expected to improve over the medium term and monetary and fiscal policy have become more supportive, all of which should support share markets on a 6-12 month horizon.

For investors, quality companies which generate strong cashflows may present the best opportunities for risk-adjusted returns.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1036AU
AMP Flexible Super - Retirement account	AMP1374AU
AMP Flexible Super - Super account	AMP1503AU
CustomSuper	AMP1036AU
Flexible Lifetime - Allocated Pension	AMP1025AU
Flexible Lifetime - Investments (Series 1)	AMP1059AU*
Flexible Lifetime - Investments (Series 2)	AMP1437AU
Flexible Lifetime - Term Pension	AMP1046AU
SignatureSuper	AMP1068AU
SignatureSuper - Allocated Pension	AMP1176AU

*Closed to new investors

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