

Specialist 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 World (ex-Australia, ex-tobacco) Accumulation Index with net dividends reinvested on a rolling three-year basis, through a diversified portfolio of international shares. In certain market conditions, the portfolio may hold a higher level of cash than the 10% limit.

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	7 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0
Actual Allocation	%
International Shares	100.01

Sector Allocation	%
Information Technology	18.28
Consumer Discretionary	14.16
Health Care	13.44
Financials	11.67
Industrials	10.83
Communication Services	9.24
Consumer Staples	6.55
Materials	4.53
Energy	3.38
Cash	3.07
Utilities	3.02
Real Estate	1.73
Others	0.10

Top Holdings	%
Microsoft Corp	2.37
Alphabet Inc	2.36
Visa Inc	2.12
Facebook Inc	1.77
Starbucks Corp	1.73
NetEase Inc	1.69
Mastercard Inc	1.54
Alibaba Group Holding Ltd	1.52
AbbVie Inc	1.33
Novartis AG	1.28

Region Allocation	%
North America	52.71
Europe ex UK	15.89
Emerging Markets	11.04
Japan	9.22
UK	5.75
Cash	3.05
Pacific ex Japan	2.18
Others	0.16

Fund Performance

The Fund posted a positive absolute return and outperformed its benchmark (before fees) in the December quarter. All of the Fund's five underlying managers posted positive returns; one manager outperformed with a second performed in line with their benchmarks, led by Orbis which was a standout performer. The Fund continues to outperform its benchmark over the longer term, including over 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation contributed most to relative performance over the period. Exposures to emerging markets, particularly China, Russia and Taiwan were the main drivers of returns. In developed markets, an underweight exposure to Canada was a significant contributor, with the underweight position in the US the main detractor.

Sector allocation detracted somewhat from relative performance, with an overweight position in consumer discretionary the main detractor. The underweight exposure to real estate was the primary contributor from a sector perspective.

Stock selection added to the Fund's relative performance. The largest individual contributors were overweight positions in Alibaba Group, NetEase and HCA Healthcare. Chinese online retailing platform business Alibaba Group (+22%) rallied after reporting a 40% jump in revenue for Q3 2019 as well as strong data for its Single's Day sales promotion, which increased by almost 25% by value from last year. Chinese online services provider NetEase (+13%) rose following the announcement of robust earnings for Q3 2019 as well as a strong games pipeline highlighted by regulator approval for the company's key Fantasy Westward Journey 3D game. US hospital chain HCA Healthcare (+18%) was buoyed after reporting higher inpatient and outpatient surgeries for the September quarter that allayed concerns about the company's outlook raised by a disappointing result for the previous quarter.

The largest individual detractors were an underweight exposure to Apple and overweight positions in Yum! Brands and Starbucks. Market sentiment for technology giant Apple (+26%) was boosted by the release of better-than-expected revenue and earnings results for the September quarter, which saw the company and some market analysts subsequently upgrading their forecasts. The easing of trade US-China tensions later in the period also buoyed the stock as iPhones would avoid tariffs in China. Fast food company Yum! Brands (-14%) slumped after the owner of Pizza Hut, KFC and Taco Bell reported a disappointing rise in same-store sales for the September quarter as rivals increased delivery services. Starbucks (-4%) continued to be weak after its late August announcement that a higher tax rate and fewer buybacks will result in 2020 earnings-per-share growth below its long-term target of at least 10%.

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	AMP0659AU
AMP Flexible Super - Retirement account	AMP1357AU
AMP Flexible Super - Super account	AMP1486AU
CustomSuper	AMP0659AU
Flexible Lifetime - Allocated Pension	AMP0606AU
Flexible Lifetime - Investments (Series 1)	AMP0855AU*
Flexible Lifetime - Investments (Series 2)	AMP1421AU
Flexible Lifetime - Term Pension	AMP0929AU
SignatureSuper	AMP0803AU
SignatureSuper - Allocated Pension	AMP1159AU
SignatureSuper Select	AMP0803AU

*Closed to new investors

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