

Fidelity Global Equities

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To achieve returns in excess of the MSCI All Country World (ex-Australia) (ex-Tobacco) Index over the suggested minimum investment time period of five to seven years. The strategy takes a go-anywhere approach – it is managed with broad geographic and sector parameters to allow the portfolio manager to build a portfolio of the best opportunities uncovered by the investment manager’s global research in core international investment. Fidelity believes that markets are semi-efficient and share prices don’t always reflect inherent value. Through in-house, bottom-up company research, Fidelity aims to uncover the opportunities that it believes offer the greatest scope for outperformance. Based on this research approach, Fidelity seeks out shares that it believes are undervalued and likely to generate growth. The companies selected for the portfolio must demonstrate good management, strong competitive advantages and enjoy favourable industry dynamics. The option’s exposure to international assets will not be hedged back to Australian dollars.

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	5 to 7 years
Relative risk rating	6 / High
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	90-100	97.96
Cash	0-10	2.04

Sector Allocation	%
INFORMATION TECHNOLOGY	21.47
FINANCIALS	17.21
HEALTH CARE	15.59
COMMUNICATION SERVICES	10.13
CONSUMER DISCRETIONARY	9.40
CONSUMER STAPLES	6.51
INDUSTRIALS	5.67
MATERIALS	3.96
REAL ESTATE	3.17
ENERGY	2.47

Regional Allocation	%
NORTH AMERICA	51.90
EUROPE EX UK	22.23
EMERGING MARKETS	10.53
JAPAN	5.84
UK	5.46
PACIFIC EX JAPAN	1.99
MIDDLE EAST	0.00
CASH & ONA	2.04

Top Holdings	%
MICROSOFT CORP	2.76
BERKSHIRE HATHAWAY INC DEL	2.61
APPLE INC	2.29
ERICSSON	2.00
UNITEDHEALTH GROUP INC	1.72
ASTRAZENECA PLC	1.70
SAP SE	1.62
RWE AG	1.57
AMAZON.COM INC	1.54
NESTLE SA	1.51

Investment Option Commentary

Global equities experienced sharp declines during the first quarter amid the spread of the COVID-19 pandemic and fears over the economic cost of the virus. Against this backdrop, your portfolio returned -7.7% (AUD), while the index returned -9.4%. Market losses were spread across sectors with energy companies coming under significant pressure as crude oil prices fell sharply. Strong stock selection in the consumer discretionary, real estate and communication services sector added value, while certain energy stocks detracted from returns.

Selected consumer discretionary names among key contributors

Leading electric vehicle (EV) manufacturer Tesla reported better-than-expected vehicle deliveries in the fourth quarter. Its results underscored the company's ability to successfully tackle supply issues and marked its emergence as a strong, viable competitor in the next-generation automobile space. Domino's Pizza also added notable value after it reported fourth-quarter earnings and sales that beat expectations.

Communications services and real estate positions buoyed by robust results

Within communications services, holdings in Nexon, a Korean video game publisher that specialises in online games for PCs and mobiles, benefited from heightened stay-at-home entertainment demand. Within the real estate sector, positive earnings lifted the position in wireless infrastructure operator SBA Communications. Tower infrastructure companies are set to benefit from multiple tailwinds, such as new spectrum deployment for fifth-generation (5G) networks, potential network buildout from DISH, and near-term accelerated investment from the Sprint/T-Mobile merger.

A sharp decline in oil prices weighed on energy sector holdings

A significant fall in oil prices following a price war between leading producers Saudi Arabia and Russia as well as a weakening demand outlook held back positions in Baker Hughes, Hess and Texas Pacific Land Trust. Nevertheless, these companies have a robust long-term outlook. Elsewhere, holdings in certain European banks, notably BNP Paribas, came under pressure on dividend-payout related concerns due to regulatory pressures.

Market Commentary

Global equities posted negative returns in the first quarter of 2020, as the COVID-19 outbreak in China and its spread to other countries weighed on global economic prospects. The World Health Organization (WHO) declared the outbreak a pandemic. Authorities across the world announced large-scale quarantines, shutdowns and travel restrictions to curtail the virus' spread, and unveiled policy stimulus measures to mitigate its economic impact. In the US, the Federal Reserve (Fed) cut interest rates by 1.5%, the fastest rate cut in its history. It also committed to unlimited purchases of government bonds, mortgage-backed securities and, for the first time ever, corporate debt in an attempt to ensure market liquidity and take risk off private sector balance sheets. The European Central Bank announced a EUR750 billion Pandemic Emergency Purchase Programme to try and bolster the economy and its President Christine Lagarde said that 'there are no limits to our commitment to the euro', which provided some support to the market. In line with other central banks, the Bank of England materially reduced interest rates to a record low of 0.1%. The Japanese market declined sharply in the first quarter of 2020, with the broad-based TOPIX recording its worst quarterly performance since the global financial crisis. Market losses were spread across sectors. Energy companies, in particular, came under significant pressure as crude oil prices fell in view of weakening global demand and an oil price war between Saudi Arabia and Russia

Outlook

Going forward, given the ongoing macroeconomic uncertainties and heightened market volatility, I continue to believe that stock-specific fundamentals will remain the key driver of equity returns for the rest of the year. While regulators and central banks have acted rapidly to provide easier conditions and instil confidence, markets have remained under pressure on account of forced selling and the unwinding of positions by hedge funds. Nevertheless, I am treading the ground cautiously with an eye on the long term

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1291AU
AMP Flexible Super - Retirement account	AMP1342AU
AMP Flexible Super - Super account	AMP1471AU
CustomSuper	AMP1291AU
Flexible Lifetime - Allocated Pension	AMP1298AU
Flexible Lifetime - Term Pension	AMP1638AU
Flexible Lifetime Investment	AMP0846AU
Flexible Lifetime Investment (Series 2)	AMP1432AU
SignatureSuper	AMP1305AU
SignatureSuper Allocated Pension	AMP1312AU

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