

Specialist Hedged International Share

Quarterly Investment Option Update

31 March 2020

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 (hedged back to Australian dollars) on a rolling three-year basis, through investing in a diversified portfolio of international shares. This option aims to be fully hedged to Australian dollars. 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	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	100
Cash	0

Sector Allocation	%
Information Technology	19.87
Health Care	16.52
Consumer Discretionary	12.38
Financials	10.95
Industrials	9.81
Communication Services	9.48
Consumer Staples	8.36
Materials	4.01
Utilities	3.80
Energy	2.75
Real Estate	2.05
Others	0.04

Top Holdings	%
Microsoft Corp	3.68
Alphabet Inc	2.33
Facebook Inc	2.20
VISA INC	1.87
Novartis AG	1.85
Alibaba Group Holding Ltd	1.75
NetEase Inc	1.63
AbbVie Inc	1.51
Mastercard Inc	1.26
Reckitt Benckiser Group PLC	1.22

Region Allocation	%
North America	57.30
Europe ex UK	17.07
Japan	9.24
Asia ex Japan	8.89
United Kingdom	5.01
Others	2.16
Australasia	0.37

Fund Performance

The Fund posted a negative absolute return and performed in line with its benchmark (before fees) in the March quarter. All of the Fund's five underlying managers posted negative returns, with two managers exceeding their benchmarks, led by Magellan and American Century which were standout performers. 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 detracted overall from relative performance during the period, primarily driven by some of the Fund's emerging markets exposure. Within developed markets, an underweight to Canada was the main contributor, whereas the underweight exposure to the US was the primary detractor. The exposures to emerging markets saw the Fund benefit from holdings in particular in China, whereas exposures in Brazil, Russia and South Korea were the main laggards. The Fund's cash position (primarily in US dollars held by Magellan) was a major boost to the relative return during the period, as share markets generally fell sharply.

Sector allocation had a positive impact on relative performance. Underweight exposures to financials and energy contributed most, more than offsetting the negative effect of an underweight to consumer staples which was the main detractor.

Stock selection contributed overall to performance. The largest individual contributors were an overweight position in NetEase and Alibaba Group and having no exposure to Exxon Mobil nor Bank of America Corp.

Chinese online company NetEase (+20%) rose after announcing that it may list on Hong Kong's stock exchange. The company has a history of posting strong operating results, with recent market commentary highlighting the extent to which NetEase has surpassed performance expectations. The company was also a beneficiary of the extensive COVID-19 containment measures. As millions of people are quarantined and told to stay home, many are turning to the internet to work, communicate and for entertainment.

US-based oil giant Exxon Mobil (-32%) fell after the company released results for the December quarter which disappointed investors, while plummeting oil prices later in the period weighed heavily on the sector.

Shares in Bank of America Corp (-30%) suffered along with other US investment banks as the impacts of COVID-19 significantly reduced activity in capital markets and raised concerns about any exposures to energy companies amid the collapse in oil prices.

The largest individual detractors were overweight exposures to XPO Logistics and Apache Corporation, and an underweight exposure to Amazon.com.

US transport company XPO Logistics (-30%) fell sharply as initial enthusiasm for the possible sale or spinoff of one or more of its business units waned against the backdrop of its 2019 financial results which showed decreases in revenue and net income.

Shares in US e-commerce giant Amazon.com (+21%) rallied after reporting earnings for Q4 2019 which were significantly better-than-expected, driven by the rapid growth of the company's cloud computing business.

US-based oil and gas company Apache Corp (-81%) fell heavily alongside other energy companies during the period after a breakdown in OPEC supply limits and a collapse in demand amid the COVID-19 pandemic battered oil markets. The company's share price was exacerbated by a downgrade in its debt rating to junk bond status by Stand & Poor's, which followed the company announcement that its cuts to intended capital spending would see a halt to its Permian Basin drilling.

The hedged exposure to the Australian dollar had a negative impact on returns, primarily due to the currency's depreciation compared to the US dollar and many other major currencies over the period.

Market Review

The March 2020 quarter was one of the worst periods ever for global share markets as the COVID-19 pandemic rapidly escalated fears around the globe. The MSCI World ex Australia index finished the period down by 20.0% (on a total return basis in local currency terms), having briefly reached lows not seen since 2016 before finishing the period with a late rally. Across regions and sectors, few stocks were spared from the falls, as traders continued to sell in favour of cash. Some panic-selling was evident, particularly later in the quarter as fundamentals undoubtedly took a backseat to momentum-trading. In the final week of March, the market was able to recoup some of these losses as the panic-selling dropped off. Price movements in many stocks were further exacerbated by the triggering of stop-losses, as well as some evidence of forced selling from funds in order to meet redemption requests. Emerging markets couldn't escape the sell-off and performed only marginally better than their developed-market peers.

While some apparent-bargains emerged from the sell-off, assessing the near-term hit to earnings and to what

degree markets have priced this in is not easy. Indeed, many companies withdrew their forward guidance. A positive for shares was global stimulus levels promptly reaching unprecedented levels, as a swift, synchronised policy response was seen around the globe in the forms of monetary easing and enormous amounts of targeted fiscal stimulus.

Outlook

Global shares now appear to be significantly cheaper after the recent pullback related to the COVID-19 virus and relative to low bond yields, though given the lack of earnings visibility over the near-term, some caution is still warranted. While global economic activity is being sharply impacted due to the virus, we expect this to be transient in nature and likely to rebound at some point. Monetary and fiscal policy are also now heavily supportive, which is likely to continue to aid share markets.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0865AU
AMP Flexible Super - Retirement account	AMP1354AU
AMP Flexible Super - Super account	AMP1483AU
CustomSuper	AMP0865AU
Flexible Lifetime - Allocated Pension	AMP0876AU
Flexible Lifetime - Investments (Series 1)	AMP1006AU*
Flexible Lifetime - Investments (Series 2)	AMP1418AU
Flexible Lifetime - Term Pension	AMP0926AU
SignatureSuper	AMP0953AU
SignatureSuper - Allocated Pension	AMP1156AU
SignatureSuper Select	AMP0953AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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