

# Zurich American Century Global Growth

Quarterly Investment Option Update

31 March 2020

## 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](http://amp.com.au)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	7+ years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Growth
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	98
Cash	0	2

Sector Allocation	%
Communication Services	5.8
Consumer Discretionary	11.7
Consumer Staples	4.3
Energy	2.9
Financials	16.1
Health Care	17.0
Industrials	8.8
Information Technology	19.3
Liquids	2.0
Materials	6.8
Real Estate	5.3
Utilities	0.0

Regional Allocation	%
US	70.2
Canada	0.7
UK	4.4
Europe	10.8
Asia ex-Japan	5.3
Japan	5.9
Emerging Markets	0.7
Cash	2.0

Top Holdings	%
Amazon.com Inc	3.7
Alphabet Inc	3.1
Equinix Inc	2.6
Visa Inc	2.5
Alibaba Group Holding	2.1
AIA Group Ltd	1.9
Adobe Inc	1.7
Lowe's Companies Inc	1.7
L3Harris Technologies Inc	1.7
American Express Co	1.7

## Portfolio Summary

- The outperformance in the quarter was due to the investment option's focus on businesses with sustainable growth tied to secular drivers rather than those levered to the economic cycle
- With consumers sequestered at home, there has been virtually no demand for many consumer-facing companies in industries such as airlines, cruise lines or restaurants. The portfolio has little or no exposure to these industries.

## Investment Option Commentary

The Fund declined in the quarter but outperformed the benchmark which declined sharply on the impact of the COVID-19 virus. The steep decline in the AUD over the quarter was a significant positive for AUD returns.

The outperformance in the quarter was due to the Fund's focus on businesses with sustainable growth tied to secular drivers rather than those levered to the economic cycle. Some of the strategy's prominent holdings are in areas that performed best during the sell-off, such as real estate, health care and technology.

The key contributors to performance included Equinix, Pan Pacific International Holdings and Sysmex. Increased demand for data and cloud connectivity spurred by a surge in telework, e-commerce and e-learning allowed data centre operator Equinix to hold its value during the market's meltdown. As a dominant player in this space, Equinix is positioned to benefit from long running secular drivers to growth such as the proliferation of data. Japanese retailer, Pan Pacific International Holdings, reported strong same-store sales growth, driven by higher domestic demand for masks, non-perishable foods and other low-priced consumable items. Margins are expected to improve as the company consolidates newly acquired store fronts. Sysmex, a developer of clinical laboratory equipment, persevered along with other medical equipment and devices stocks. Sysmex makes complete blood count machines that allow health care workers to safely analyse the blood of patients with the highly contagious COVID-19 virus and other infectious diseases.

The key detractors from relative performance included Microsoft, Pioneer Natural Resources and Aptiv. A recent sell-off provided a good entry point for Microsoft. The investment team had been waiting for valuation to move lower to provide a better risk/reward on investment. The stock was a detractor, however, given the relative underweight at the end of the period. Crude oil prices plummeted on weak demand for oil amid the global COVID-19 outbreak, battering the stock of Pioneer Natural Resources and other oil producers. An ongoing price war between Saudi Arabia and Russia also drove oil stocks lower. Automotive plant closures resulting from self-quarantines and stay-at-home directives weighed on automotive parts and technology firm Aptiv. However, the investment team continues to believe that Aptiv is well positioned to benefit from durable growth themes such as electrification and autonomous driving.

## Market Commentary

The coronavirus turned an historic bull market into an instant bear market. The coronavirus pandemic kicked off a health care, economic and financial crisis that plunged equities into bear market territory and brought global demand to a halt. Its impact should continue to be profound and widespread across regions and economies.

It's still not possible to predict when the health crisis will be contained, when the world's economies will recover or what shape the recovery will take. The trajectory of the situation in China, where factories have reopened, may be instructive. Fiscal stimulus in the US should act as support for companies and employees until the crisis is resolved.

## Outlook

Directives to "shelter in place" and "work from home" have helped strengthen ongoing trends in information technology, including digitalisation, cloud computing, 5G network rollout and data centre expansion. Holdings include firms providing mission critical software support as well as those with exposure to the proliferation of data and information, such as data infrastructure, data centres and 5G equipment, as well as data generation and data delivery via cloud computing.

The investment team continues to focus sector holdings on medical devices, equipment, tools and production, rather than on traditional biotech and pharma companies. Such names are benefiting from stepped-up research and development supported by an aging population and demographic data. Companies involved in production of testing equipment and life sciences tools and diagnostics are also seeing sustainable growth due to the ongoing public health crisis.

## 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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