

# Responsible Investment Leaders International Share

Quarterly Investment Option Update

30 June 2020

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

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
International shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	97.12
Australian Shares	0.72
Listed Property and Infrastructure	1.04
Cash	1.12

<b>Sector Allocation</b>	<b>%</b>
Information Technology	20.98
Financials	15.53
Health Care	14.59
Industrials	11.11
Consumer Discretionary	10.62
Consumer Staples	9.04
Communication Services	6.66
Materials	5.80
Energy	2.20
Real Estate	1.52
Cash	1.24
Utilities	0.51
Others	0.21

<b>Top Holdings</b>	<b>%</b>
Microsoft Corp	2.72
APPLE INC	2.15
Visa Inc	2.08
Amazon.com Inc	1.74
Sony Corp	1.52
Roche Holding AG	1.39
HDFC Bank Ltd	1.25
TSMC	1.24
Alphabet Inc	1.24
Facebook Inc	1.20

<b>Region Allocation</b>	<b>%</b>
North America	51.59
Europe ex UK	19.31
Asia ex Japan	12.79
Japan	8.16
United Kingdom	4.87
Others	1.24
Cash	1.24
Australasia	0.81

## Fund Performance

The Ethical Leaders International Shares Fund slightly produced a strong absolute return despite slightly underperforming the benchmark over the June quarter. Sector allocation was the main contributor to the relative return, however, it was offset by stock selection, which contributed positively within industrials; with overweights to Owens Corning, Brenntag and Siemens adding the most value. Conversely, stock selection in the information technology sector was the major detractor from relative performance, including underweights to Apple, PayPal and Shopify. Stock selection in health care and financials further detracted from performance. At the manager level, C Worldwide outperformed the Fund benchmark, whilst Lazard, Boston Partners and the Ethical Leaders Emerging Markets Fund underperformed. The overweight to emerging markets was a detractor, as emerging markets underperformed developed markets over the quarter.

## Environmental Social Governance

The COVID-19 crisis has temporarily reduced global carbon emissions amid reduced levels of industrial activity and travel. While this provides some short-term benefit, we don't believe this to be desirable at the expense of such violent economic and social disruption, nor is it sustainable. While, there were some concerns at the beginning of the quarter that the urgent focus on climate change could be shelved to focus on managing the fallout of the pandemic and ensuring short-term business survival, recent shareholder resolutions has pleasingly shown this not to be the case.

Human rights and supply chains continued to be an area of focus, reflected by international equities manager, C WorldWide, actively engaging with Amazon.com over a worrying pattern of labour issues in recent years, including a high number of fatalities and injuries. Dialogue has been picked up with their new Head of ESG Engagement and a conference call to discuss the worker safety concerns is being pursued.

International equities manager Ninety One (previously Investec) meanwhile engaged with Yum China Holdings, discussing various topics including food quality/safety management and business structure. The manager asked for further information on how the company ensures food quality and safety. Since their 2014 food scandal, the company has reconstituted their compliance and safety norms by consolidating their suppliers and establishing a food safety committee.

Other activity during the period included a focus on social media, specifically on areas such as privacy, security and cyber issues, which have been particularly relevant during the COVID-19 related shutdowns. Access to medical treatments was also on the agenda, with the pharmaceutical industry now working toward new treatments such as vaccines targeting COVID-19. If and when these new products leave the pipeline, ensuring they are made widely accessible will be important.

## Market Review

Global shares surged back from their March lows over the June quarter, with the MSCI World ex Australia index finishing the period up by 18.5%. This came as virus-related market panic progressively dissipated and lockdowns began to be lifted. Death rates, while high, were also far below previous 'worst-case' scenario estimates. As businesses reopened, most governments maintained (and in some case even increased) their stimulus programmes on offer, leading to continued support for share prices. Various economic indicators also appeared to confirm a global economic recovery was indeed underway, reflected in sharp rises in business confidence and falling rates of unemployment. Contrary to the markets' bullish sentiment, the list of concerns on many investors' radars however only appeared to grow, with issues such as civil unrest in the US, the upcoming US election, Chinese tensions (with Hong Kong, the US, India and even Australia) and an apparently rising risk of a 'second wave' of COVID-19 infections (particularly in the US) leading to a growing sense of unease. Perhaps most pressing for shares, corporate earnings visibility remains low, resulting in many businesses being hard to value, particularly over the short-term. Emerging markets meanwhile were also very strong, driven by the same trends as broader developed markets to return 16.7% over the quarter as measured by the MSCI Emerging Markets index. (Indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

Given a lack of earnings visibility, we believe investors should exercise some caution, particularly where prices have risen quickly. Amid changing consumer dynamics, many companies will likely struggle for some time, while stronger businesses are likely to emerge from the COVID-19 crisis with gained market share. Pressure on global economies has however begun to ease as various lockdowns and restrictions have been lifted, while highly

supportive monetary and fiscal policy continues to provide solid support. While second wave fears persist and are temperamentally traded on, thereby presenting potential retraces/pullbacks, we believe the longer-term market trend will remain to the upside. As always, while the near-term direction of markets is impossible to accurately predict, we generally believe that those with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the long-term.

## Availability

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

\*Closed to new investors

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