

Fidelity Global Equities

Quarterly Investment Option Update

30 June 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	98.47
Cash	0-10	1.53

Sector Allocation	%
Information Technology	21.25
Financials	15.93
Health Care	15.09
Consumer Discretionary	10.62
Communication Services	9.29
Consumer Staples	6.73
Materials	6.67
Industrials	4.71
Energy	2.86
Real Estate	2.71

Regional Allocation	%
North America	51.25
Europe Ex Uk	23.23
Emerging Markets	11.77
Japan	5.37
Uk	4.64
Pacific Ex Japan	2.22
Middle East	0.00
Cash & Ona	1.53

Top Holdings	%
Microsoft Corp	2.63
Apple Inc	2.59
Unitedhealth Group Inc	1.91
Rwe Ag	1.82
Ericsson	1.79
Amazon.Com Inc	1.76
Alphabet Inc	1.56
Nestle Sa	1.48
Naspers Ltd	1.43
Berkshire Hathaway Inc Del	1.41

Investment Option Commentary

Selected communication services names among key contributors:

Pureplay music streaming company Spotify rallied on exclusive deals signed with Warner Bros. and Joe Rogan. It has a lucrative business model with a strong loyal active user base, and its podcast business is witnessing increasing traction. The holding in Naver, a Korean leader in internet search and display advertising, reported a surge in online shopping transactions amid the pandemic.

Consumer discretionary and health care holdings buoyed by robust results:

UK online supermarket major Ocado Group reported robust growth in grocery sales owing to a sharp surge in demand from customer stockpiling and a significant increase in its online customer base. Digitally focused health care company 1Life healthcare continues to combine its digital health platform with in-office clinics to improve the health care experience of its customers. Conversely, Spanish plasma biotherapeutics business Grifols' shares underperformed a rising market, despite reporting positive results.

Financials exposure hurt returns:

US bank Wells Fargo fell as it missed its earnings estimates due to reduced net interest income and mortgage banking revenues. The stock is held as it is likely to gain from a gradual reduction in the special regulatory measures currently in place, which should allow for a significant capital release and support its earnings. The market also underappreciates the bank's ability to reduce expenses. Berkshire Hathaway detracted from relative returns. The stock remains well positioned to benefit in an uncertain environment for equities, despite the weakness in its investment portfolio. The company has a significant amount of cash at its disposal to either buyback shares or acquire a new business.

Market Commentary

Global equities advanced during the quarter and posted solid gains as the easing of lockdowns and nascent signs of an economic recovery aided risk appetite. Markets were buoyed by fresh stimulus measures from major central banks and news around the development of a potential vaccine. However, investors remained cautious over the threat of a potential second wave of COVID-19 infections and rising geopolitical tensions.

At a regional level, US equities outperformed on the back of strong economic data and continued monetary support from the Federal Reserve (Fed). Ongoing loose monetary policy and early indications of a recovery provided an encouraging narrative. Europe ex UK equities advanced as some countries in the region were relatively successful in controlling the spread of the disease and began to ease lockdown measures.

The European Central Bank (ECB) announced plans to initiate borrowing of €750 billion for a recovery fund to support the worst affected regions and expanded its Pandemic Emergency Purchase Programme to €1.35 trillion. UK equities rose as a number of economically sensitive areas of the market outperformed amid a phased opening of various industry sectors. The Bank of England also expanded its quantitative easing programme.

Japanese equities rallied as investors reacted positively to news of an economic recovery and as the government continued to step up its fiscal response to the crisis. Elsewhere, emerging market equities advanced amid global monetary and fiscal stimulus. At a sector level, cyclicals outperformed their more defensive counterparts. Information technology was the leading performer, followed by the consumer discretionary and materials sectors. The defensive utilities and consumer staples sectors lagged the broader market.

Outlook

The global economic backdrop remains uncertain, even with easing lockdown measures and the reopening of economies in some countries. While the unprecedented financial and monetary stimulus packages announced by governments worldwide have provided some support, risks of a potential second wave of infections weighs on overall sentiment. In this environment, markets are offering pockets of good value. The Fund Manager continue to deploy cash in high quality names that are available at attractive valuations when taking a longer-term view.

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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