



AMP Capital Ethical Leaders International Share

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	97.25
Australian Shares	0.73
Listed Property and Infrastructure	0.80
Cash	1.22

Sector Allocation	%
Information Technology	20.85
Health Care	13.31
Financials	13.21
Consumer Discretionary	12.84
Industrials	11.13
Consumer Staples	7.71
Communication Services	6.76
Materials	6.42
Others	3.29
Energy	1.78
Real Estate	1.25
Cash	1.15
Utilities	0.30

Top Holdings	%
Colonial First State Global Emerging Markets Sustainability Fund	3.23
Microsoft Corp	2.44
APPLE INC	1.85
Sony Corp	1.69
Amazon.com Inc	1.64
Samsung Electronics Co Ltd	1.59
ALPHABET INC	1.46
Visa Inc	1.44
TSMC	1.42
Novo Nordisk A/S	1.34

Region Allocation	%
North America	50.27
Europe ex UK	19.49
Asia ex Japan	11.54
Japan	8.37
United Kingdom	4.46
Australasia	4.05
Cash	1.15
Others	0.66

Fund Performance

The Ethical Leaders International Shares Fund produced another positive return, though underperformed the benchmark over the September quarter. Stock selection detracted from performance, while the sector allocation effect was neutral. Underweight exposure to the energy and utilities sectors contributed positively, as did stock selection within financials. Conversely, stock selection in the consumer discretionary sector was the major detractor from relative performance, including underweights to Tesla, Apple and Alibaba. The underweight to Tesla and Apple accounted for almost half of the underperformance for the quarter. Stock selection in communication services and industrials further detracted from performance. At the manager level, allocations to the Ethical Leaders Emerging Markets Fund and C Worldwide outperformed the Fund benchmark, whilst Boston Partners and Lazard underperformed. The overweight to emerging markets was a contributor, as emerging markets outperformed developed markets over the quarter.

Environmental Social Governance

International shares manager, C Worldwide Ethical, engaged with Chinese conglomerate Ping An to follow up on key developments since their initial ESG engagement in 2019. Over the past year, one of company's key focus areas has been on ESG integration of its own investments (including commitment to global initiatives, such as the Task Force on Climate-related Financial Disclosures and Climate Action 100+). Most interestingly, Ping An has introduced its own artificial intelligence powered ESG framework, CN-ESG. In terms of integrating ESG across Chinese companies, Ping An sees the framework as a very important driver, as only a small number of Chinese companies are covered by global ESG providers today, e.g., MSCI covers around 500 companies. The framework has already seen considerable interest from Chinese companies, regulators, stock exchanges and foreign investors.

Ninety One (previously Investec) engaged with Geely Automobile Holdings, based in China, to raise the 'Uyghurs for sale' report, which contained serious allegations around Uyghur minorities in China being used as forced labour in supply chains. Ninety One received a constructive formal response saying the company is aware of the report and currently seriously looking into the matter. It has an existing policy around forced labour and supplier integrity and is now conducting further investigation and will provide updates.

Boston Partners engaged with sporting goods retailer, Dicks Sporting Goods, on the matter of its sustainability report, which Boston Partners recommended. This includes diversity statistics, training hours data, safety statistics and ethics hotline claim statistics.

Market Review

Global share markets rose strongly in the first half of the September quarter, before pulling back somewhat towards the end of the period to finish up by 6.87%, as measured by the MSCI World ex Australia index. Growing confidence around the speed of the global economic recovery, better than expected corporate earnings, improved manufacturing activity data and reasonably strong US jobs figures all contributed to the strong rise. This was despite some renewed fears around further waves of COVID-19 and more specifically, how governments might react to renewed outbreaks. Geopolitical tensions abounded, though this was mostly treated as noise by markets. Towards the end of the quarter, a marked correction in technology stocks occurred, which in turn pulled the broader market down somewhat. Amid a strong Chinese economic recovery and growing demand for commodities, emerging markets also rose over the period, outperforming developed markets and returning 8.65% as measured by the MSCI Emerging Markets index. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The medium-term outlook for earnings remains generally hard to predict; and varies greatly depending on company specifics. We continue to believe investors should exercise 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. Although pressure on some global economies has begun to ease, risks of further COVID-19 breakouts; and indeed, the manner in which governments choose to respond, remain a risk. Governments generally continue to implement supportive monetary and fiscal programmes to ease shorter-term burdens and keep economies more resilient, though some concern is growing around the sustainability of some programmes. Despite this, 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 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 - Retirement	AMP1374AU**
AMP Flexible Super - Super	AMP1503AU**
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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