

# Specialist 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 World (ex-Australia, ex-tobacco) Accumulation Index with net dividends reinvested on a rolling three-year basis, through a diversified portfolio of international shares. 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/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Global Shares
<b>Suggested minimum investment timeframe</b>	7 years
<b>Relative risk rating</b>	6 / 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	100.16

<b>Sector Allocation</b>	<b>%</b>
Information Technology	19.49
Consumer Discretionary	15.63
Communication Services	11.13
Health Care	10.95
Industrials	9.57
Financials	8.61
Consumer Staples	7.74
Materials	6.05
Cash	4.12
Utilities	3.04
Real Estate	2.06
Energy	1.62
Others	0.00

<b>Top Holdings</b>	<b>%</b>
Microsoft Corp	3.46
Alibaba Group Holding Ltd	2.62
ALPHABET INC	2.50
Amazon.com Inc	2.20
NetEase Inc	2.01
Facebook Inc	1.85
Visa Inc	1.79
Tencent Holdings Ltd	1.70
XPO Logistics Inc	1.19
Reckitt Benckiser Group PLC	1.11

<b>Region Allocation</b>	<b>%</b>
North America	59.93
Emerging Markets	13.27
Europe ex UK	10.04
Japan	7.31
Cash	4.12
UK	3.51
Pacific ex Japan	1.78
Others	0.04

## Fund Performance

The Fund posted a positive absolute return, however underperformed its benchmark (before fees) during the September quarter. All of the Fund's five underlying managers gained ground. American Century posted the strongest return and along with Magellan these managers outperformed their respective benchmarks. The Fund continues to outperform its benchmark over the long term, including over 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation was a slight contributor overall to relative performance during the period. The exposures to emerging markets particularly in China added most value, as did underweight allocations to France and Canada which were the main contributors within developed markets. Conversely, the Fund's underweight exposure to the US and its cash position (primarily in US dollars held by Magellan) were the main detractors from the relative return during the period, as share markets generally rose.

Sector allocation added value. Most active positions contributed, with an overweight position in consumer discretionary and underweight exposures to energy and financials contributing most, outweighing the negative effect of an underweight exposure to information technology which was the main detractor.

Stock selection detracted overall from performance and was the main drag on returns. The largest individual detractors were underweight positions in Apple, Tesla and NVIDIA Corporation.

US technology giant Apple (+22%) saw its share price benefit from the announcement of strong results for the June 2020 quarter, with the stock price being further supported by news it may launch discounted video streaming content bundling.

Shares in electric vehicle and clean energy company Tesla (+91%) soared to record highs during August, supported by its Q2 2020 results, which were significantly better than expected, and as investors anticipated smaller share parcels would be in high demand as a result of the company stock split which occurred in August.

US-based graphics processing chip manufacturer company NVIDIA Corporation (+37%) was buoyed after reporting results for the June 2020 quarter which saw record revenues overall, including record revenue for its data centre business which benefited from a recent acquisition.

The largest individual contributors were overweight positions in Alibaba Group and Taiwan Semiconductor Manufacturing, and having no exposure to Exxon Mobil Corporation.

Shares in Chinese e-commerce company Alibaba Group (+31%) rose after it reported surging revenue growth in the June quarter compared to a year earlier, as lockdowns saw consumers shop more online.

Taiwan Semiconductor Manufacturing (+36%) shares soared as the company appears set to benefit from the problems that Intel is facing with the production of its latest generation of semiconductors, which may see Intel outsource production with Taiwan Semiconductor Manufacturing being a strong contender to win this business.

Shares in energy producer Exxon Mobil (-25%) suffered after the company reported results for the June quarter which disappointed investors, with its falling oil and natural gas production reflecting the impacts of lower demand following the COVID-19 pandemic.

## 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

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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.

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## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1357AU
AMP Flexible Super - Super	AMP1486AU
CustomSuper	AMP0659AU
Flexible Lifetime - Allocated Pension	AMP0606AU
Flexible Lifetime - Investments (Series 1)	AMP0855AU*
Flexible Lifetime - Investments (Series 2)	AMP1421AU
Flexible Lifetime - Super	AMP0659AU
Flexible Lifetime - Term Pension	AMP0929AU
SignatureSuper	AMP0803AU
SignatureSuper - Allocated Pension	AMP1159AU
SignatureSuper Select	AMP0803AU

\*Closed to new investors

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