

AMP Capital Ethical Leaders International Share

Quarterly Investment Option Update

31 December 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	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	97.36
Australian Shares	0.93
Listed Property and Infrastructure	0.72
Cash	0.98

Sector Allocation	%
Information Technology	22.39
Financials	16.01
Consumer Discretionary	15.50
Industrials	12.05
Health Care	11.90
Materials	7.01
Consumer Staples	6.48
Communication Services	5.29
Real Estate	1.26
Cash	1.14
Energy	0.80
Utilities	0.18

Top Holdings	%
Samsung Electronics Co Ltd	2.43
Sony Corp	1.94
Microsoft Corp	1.93
TSMC	1.78
Alphabet Inc	1.40
Amazon.com Inc	1.36
APPLE INC	1.28
HDFC Bank Ltd	1.26
Visa Inc	1.21
Novo Nordisk A/S	1.13

Region Allocation	%
North America	49.35
Europe ex UK	18.42
Asia ex Japan	14.97
Japan	9.95
United Kingdom	4.48
Cash	1.14
Australasia	0.84
Others	0.84

Fund Performance

The Ethical Leaders International Shares Fund produced a positive return and outperformed the benchmark over the December quarter. Stock selection contributed to performance, as did the sector allocation effect. Stock selection was particularly strong within information technology, including through overweights to Samsung Electronics, TSMC and Applied Materials. Stock selection in consumer discretionary and health care further contributed to performance. Conversely, stock selection in the consumer staples sector was the major detractor from relative performance, including through overweights to Kimberly-Clark and Procter & Gamble. At the underlying manager level, Boston Partners and the Ethical Leaders Emerging Markets Fund outperformed the Fund benchmark, whilst Lazard and C Worldwide underperformed. The overweight to emerging markets was a contributor, as emerging markets outperformed developed markets over the quarter.

Environmental Social Governance

During the period, we enhanced our fossil fuel investment screen so that all Ethical Leaders (EL) funds will move towards being fossil fuel-free by 1 January 2021. All Ethical Leaders funds will aim to exclude companies that derive any revenue from the production or exploration of coal, oil or gas, and/or any revenue from fossil fuel power generation, and/ or more than 10% of revenue from fossil fuel-related distribution and services. With this change, we believe EL funds will be leading the investment industry on climate change.

Our fund managers meanwhile remained focussed on the COVID-19 pandemic and its impact on human rights. The pandemic has increased worker vulnerability and pushed more people into modern slavery. Our managers are collaborating to engage with companies to address issues in the companies' supply chains. Our managers also continued to address climate change. One of our managers became a signatory to the 'Say on Climate' initiative, which encourages companies to voluntarily submit their Climate Risk Transition Plan to a vote at their annual general meetings. The intention is to improve dialogue between companies and investors about climate risk management.

Emerging markets manager Ninety One also joined a collaborative engagement led by the Interfaith Center on Corporate Responsibility, the Investor Alliance for Human Rights and Rathbones aiming to address the human rights crisis in the Xinjiang Uyghur Autonomous Region (XUAR).

International shares manager C Worldwide held meetings with Nestlé, as well as Atlas Copco, a Swedish manufacturer of industrial tools and equipment, to discuss the companies' commitments to 1.5-degree scenario science-based targets. Climate change and science-based targets were also discussed through engagements with Hoya, a Japanese company manufacturing optical products. The manager also engaged with the business on its process of engaging with its supplier base on human rights and signing Hoya's code of conduct (which 90% currently have done – compared to 80% 12 months ago), and considerations for auditing as the next step.

Market Review

International shares produced a very strong performance over the December quarter, rising by 12.33% as measured by the MSCI World ex Australia index. This capped off a strong 2020 calendar year return of 13.77% which was achieved despite the record-breaking crash in early 2020. Shares fell early in the quarter as COVID-19 numbers continued to rise in many parts of Europe and the US, leading some countries to reintroduce social distancing restrictions, which in many cases have been shown to be devastating to economies and businesses. Mid-quarter however, the market received a huge boost from announcements of successful COVID-19 vaccine trials from Moderna, Pfizer and Oxford-AstraZeneca. These vaccines were shown to be around 95% effective in preliminary results. Approval and initial rollout have now already occurred in some countries, with markets closely watching for medical results and data. The other major story over the quarter was the US election, with a Biden win finally confirmed in very early January 2021, as was a Democrat victory in both the Senate and the House. Markets broadly reacted positively as results increased in clarity through the period. On one hand, a Democrat victory is seen by some as positive for the US economy, as greater direct stimulus is now likely to be approved, which will provide some much-needed financial help for many, others see potential debt issues and increased taxation for businesses as likely issues down the track. In other positive news for markets, the UK and Europe also finally agreed on a Brexit deal at year-end, over 4 years after the referendum, allowing markets to put much of the related

uncertainty into the rear-view mirror. Emerging markets, meanwhile, were also very strong over the period and outperformed their developed market peers, as economies continued to recover and resource prices rose strongly. The MSCI Emerging Markets index closed the quarter up by 16.02%. (All indices are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The medium-term outlook for earnings remains difficult to predict; and varies greatly depending on company specifics. There is also the potential for shorter-term volatility as the market digests the implications of a Biden administration. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations look stretched. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge from the COVID-19 crisis with gained market share. Risks of further pandemic breakouts and, indeed, the manner in which governments choose to respond, remain a risk until vaccines are fully implemented. 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 and existing investors

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