

International Share Index

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

The strategy aims to provide returns that track the MSCI World ex-Australia ex-tobacco Index with net dividends reinvested. This option is unhedged to Australian dollars. Exposure to the International Shares asset class will be attained through the use of low cost index-focused investment managers.

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
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Suggested minimum investment timeframe	5 to 7 years
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Relative risk rating	High
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Investment style	Index
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Manager style	Single
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Asset Allocation	Benchmark (%)
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International shares	100
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Cash	0
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Actual Allocation	%
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International Shares	97.25
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Australian Shares	0.28
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Listed Property and Infrastructure	2.32
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Cash	0.15
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Sector Allocation	%
Information Technology	22.49
Health Care	13.05
Financials	12.36
Consumer Discretionary	12.33
Industrials	10.28
Communication Services	9.07
Consumer Staples	6.95
Materials	4.22
Utilities	3.20
Energy	2.71
Real Estate	2.60
Futures	0.70
Cash	0.04

Top Holdings	%
APPLE INC	4.54
Microsoft Corp	3.18
Amazon.com Inc	2.76
Alphabet Inc	2.11
Facebook Inc	1.32
Tesla Inc	1.05
Johnson & Johnson	0.82
JPMORGAN CHASE & CO	0.77
Visa Inc	0.74
Nestle SA	0.68

Region Allocation	%
North America	70.46
Europe ex UK	15.45
Japan	8.01
United Kingdom	4.42
Asia ex Japan	1.35
Others	0.15
Australasia	0.10
Cash	0.07

Fund Performance

The Fund posted a strong positive return over the December quarter, building on gains made over the previous two quarters. It has also achieved positive returns over the longer term, including over 1, 2, 3 and 5 years, and since inception (annualised, before fees).

International shares produced very strong performance over the December quarter, capping off a strong 2020 calendar year 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.

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. 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. 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. (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
CustomSuper	AMP0858AU
Flexible Lifetime - Allocated Pension	AMP0871AU
Flexible Lifetime - Super	AMP0858AU
Flexible Lifetime - Term Pension	AMP0902AU
SignatureSuper	AMP0807AU
SignatureSuper - Allocated Pension	AMP1165AU

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