

Arrowstreet Global Equity

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To achieve a long-term total return (before fees and expenses) that exceeds the MSCI All Country World ex-Australia Index, in Australian dollars unhedged with net dividends reinvested. The portfolio provides exposure to a diversified portfolio of global equities which may include securities listed in emerging markets as well as securities of small capitalisation companies. The option will not invest in 'tobacco' securities as defined by Global Industry Classification Standards (GICS) and 'controversial weapon' securities as defined by MSCI, Inc. The option is actively managed using a quantitative approach and stock selection modelling to evaluate securities on an integrated basis to exploit tactical opportunities across different factors with the aim of controlling risk relative to its benchmark and maximising the likelihood of outperforming its benchmark. Arrowstreet's stock selection models are designed to:

- understand what information is likely to impact stock prices and obtain the information to forecast individual stock returns by evaluating a stock's potential on the basis of a diverse set of direct and indirect effects, and
- identify particular signals or segments of the market that exhibit the greatest mispricing (or inefficiencies) at any point in time.

The option may use derivatives to manage currency risk arising from differences in the currency weights of the portfolio's investments compared to its benchmark. The portfolio's exposure to foreign currencies is not hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	7+ years
Relative risk rating	6 / High
Investment style	Core
Manager Style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	99.90
Cash	0	0.10

Sector Allocation	%
North America	52.68
Europe ex UK	16.18
Emerging markets	11.10
Japan	10.43
United Kingdom	8.89
Asia ex Japan	0.61

Regional Allocation	%
Information Technology	33.86
Consumer Discretionary	16.36
Materials	13.29
Health Care	7.50
Industrials	7.37
Communication Services	6.34
Energy	6.17
Financials	5.32
Consumer Staples	3.07
Utilities	0.39

Top Holdings	%
Amazon.Com Inc	4.01
Samsung Electronics	2.43
Alphabet Inc	2.33
Microsoft Corp	2.17
Advanced Micro Devices	2.12
Nvidia Corp	2.12
Asml Holding Nv	2.04
Johnson & Johnson	1.98
Apple Inc	1.60

Investment Option Summary

- The investment option outperformed the benchmark (gross of fees) in December 2020 with a rising Australian dollar offsetting what proved to be another strong month for global equities.
- Sector returns were mixed in December, with Information Technology, Materials and Financials moving higher, while Real Estate, Utilities, and Industrials declined. Materials was the top relative contributor for the Fund, driven by overweight positioning and positive selection in Russian Materials. Information Technology was also a positive relative contributor, owing to an overweight to South Korean IT. Consumer Staples was the Fund's largest relative detractor, driven by negative selection in US Consumer Staples.
- Regional returns also varied, with the US and Japan moving lower, while emerging markets, including South Korea, India and Brazil, contributed positively to returns. The Fund's largest relative contributor at a country level was the US, driven by positive selection and underweight positioning in US Health Care. South Korea also contributed positively on a relative basis, as a result of overweight positioning in South Korean IT, as mentioned. China was the largest relative detractor, owing to underweight positioning in Chinese Health Care and Chinese IT.
- Arrowstreet employs a quantitative benchmark-aware approach, dynamically taking overweight and underweight positions in countries, sectors, and individual stocks, with the aim of achieving long-term outperformance of the Benchmark. Arrowstreet's core investment style seeks to outperform during a broad range of market environments, and its systematic quantitative approach allows Arrowstreet to react quickly through market volatility.

Market Commentary

After a shaky start to the fourth quarter, equities rallied significantly across regions into the end of an historic year. COVID cases continued to rise at alarming rates, leading to stricter restrictions and lockdowns around the world; however, the market saw resolutions to many issues that had previously dampened risk appetite. In November, data from late-stage clinical trials suggested high efficacy in multiple COVID-19 vaccines, and a dramatic US election concluded with Democratic presidential nominee Joe Biden defeating incumbent Donald Trump. These two developments, viewed positively by investors, led to sharp reversals in market and factor performance, with distressed value and small cap stocks, particularly in industries hit hard by the virus, outperforming, and high momentum and quality stocks underperforming; November 9 saw one of the largest daily momentum losses in history. While this rotation normalised somewhat, generic value significantly outperformed generic momentum and quality for the quarter. Economic growth continued to recover from second quarter lows, particularly in China, supporting commodity prices. Central banks maintained accommodative policy and by the end of the quarter both the US and the European Union made significant progress on fiscal stimulus measures as well.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1578AU
AMP Flexible Super - Retirement	AMP1590AU
CustomSuper	AMP1530AU
Flexible Lifetime - Super	AMP1530AU
Flexible Lifetime - Allocated Pension	AMP1542AU
SignatureSuper	AMP1554AU
SignatureSuper - Allocated Pension	AMP1566AU

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