



AMP Capital Ethical Leaders International Share

Quarterly Investment Option Update

31 March 2021

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	97.14
Australian Shares	0.79
Listed Property and Infrastructure	0.89
Cash	1.17

Sector Allocation	%
Information Technology	23.64
Financials	16.79
Consumer Discretionary	14.54
Industrials	12.39
Health Care	11.86
Communication Services	6.32
Materials	6.29
Consumer Staples	4.60
Cash	1.49
Real Estate	1.30
Energy	0.60
Utilities	0.19

Top Holdings	%
Microsoft Corp	2.15
Samsung Electronics Co Ltd	2.02
Alphabet Inc	1.86
TSMC	1.80
Sony Group Corp	1.55
Amazon.com Inc	1.43
APPLE INC	1.41
HDFC Bank Ltd	1.32
Cisco Systems Inc/Delaware	1.30
Stellantis NV	1.25

Region Allocation	%
North America	49.81
Europe ex UK	18.54
Asia ex Japan	14.88
Japan	9.70
United Kingdom	3.85
Cash	1.49
Others	1.10
Australasia	0.62

Fund Performance

The Ethical Leaders International Shares Fund produced a positive return and outperformed the benchmark over the period. Stock selection was the main contributor to performance, however, it was offset by the sector allocation decisions. Stock selection was particularly strong within the information technology sector, including through an underweight to Apple along with overweights to Applied Materials, Concentrix and Synnex. Stock selection in consumer discretionary and industrials further contributed to performance. Conversely, an underweight to the energy sector was the major detractor from relative performance, particularly as we don't own ExxonMobil and Chevron. At an underlying manager level, Boston Partners and Lazard outperformed the Fund benchmark, whilst the Ethical Leaders Emerging Markets Fund and C Worldwide underperformed. An overweight to emerging markets was a detractor, as emerging markets underperformed developed markets over the month.

Environmental Social Governance

During the March quarter, our underlying fund managers remained focussed on climate change and related green projects. Engagement included a collaboration with Samsung Electronics regarding a commitment to fit micro-plastic filters in their factories, as well as co-signing the 2021 Global Investor Statement to Governments on the Climate Crisis, which calls on governments to act on climate change. Ongoing company engagements included meeting with BlueScope Steel and Rio Tinto.

Managers were also active in addressing human rights in relation to supply chains. Engagement included liaising with companies relating to the human rights crisis in the Xinjiang Uyghur Autonomous Region (XUAR). As well as identifying and disclosing any direct and indirect business relationships that are connected to XUAR, companies were asked to demonstrate steps to disengage any business relationships with forced labour in and from XUAR, and publicly disclose efforts and progress on the above.

There was engagement with First Republic Bank, which highlighted climate risk as a new prominent topic being in the early days of an internal assessment considering Task Force on Climate-related Financial Disclosures (TCFD) and Customer Data Platform as reporting frameworks, and more broadly adopting the Sustainability Accounting Standards Board framework for materiality analysis.

There were also discussions with S&P Global, covering a broad range of issues. These included the integration of ESG across the organisation and how this has evolved over the past 10 years, recent initiatives including increased stakeholder engagement and the process of reviewing key materiality issues. Lessons learned from the financial crisis and reputational risk from the inherent conflict of interest in the company's credit ratings business were also discussed.

Market Review

March was another volatile month for global share markets, though the MSCI World ex Australia index finished the month with a strong return of 4.25%. Broadly, the rotation away from 'COVID-safe' and technology stocks towards cyclical and value stocks continued, against a backdrop of the global economic recovery and the continuing rollout of COVID-19 vaccines. US President Biden's US\$1.9 trillion stimulus package, combined with an even larger infrastructure plan also helped fuel market gains, though in some cases served to increase concerns around future inflation. Also adding to market volatility, particularly in the energy sector amid fears of supply disruptions, was a container ship running aground in the Suez Canal and causing a massive maritime jam, which was subsequently removed towards month-end. Finally, pockets of further COVID-19 hotspots also contributed to volatility, with some parts of continental Europe and also Canada re-entering new lockdowns, amid fears of third wave breakouts occurring before any sort of herd immunity is reached. Despite all this, many indices continued to hit new record highs and the overall tone remained cautiously positive. Emerging markets meanwhile pulled back slightly, as markets continued to expect the US recovery to outpace emerging countries over the medium term. Spiking COVID-19 figures in India also impacted sentiment, leading the MSCI Emerging Markets index to close the month down by 0.87%. (All indices are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

With valuations remaining stretched in many areas, and upward pressure on bond yields and inflationary concerns as further stimulus packages are rolled out, the medium-term outlook for international equities remains difficult to predict. Elevated volatility is likely to remain. Following America's most recent US\$1.9 trillion plan, the market awaits more in-depth details of the Biden administration's infrastructure plan and how this will impact policies, tax

codes, and corporate America in general. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations factor in perfection. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge post the COVID-19 vaccine implementation with gained market share. Governments generally continue to implement supportive monetary and, to an increasing extent, fiscal programmes to ease shorter-term economic stress. The hope is that post vaccine rollout, economies will be resilient enough to return to growth relatively quickly. However, recently there have been signs of further waves of pandemic breakouts with different strains, which will add to uncertainty. Despite uncertainty in the shorter term, we believe the longer-term market trend will remain to the upside.

Availability

Product Name	
Flexible Lifetime - Investments (Series 1)	AMP1059AU**
Flexible Lifetime - Investments (Series 2)	AMP1437AU**

**Closed to new and existing investors

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