

# Arrowstreet Global Equity

Quarterly Investment Option Update

30 September 2021

## 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](http://amp.com.au/performance)

## Investment Option Overview

|                                       |                |
|---------------------------------------|----------------|
| <b>Investment Category</b>            | Global Shares  |
| <b>Suggested Investment timeframe</b> | 7+ years       |
| <b>Relative risk rating</b>           | 7 / Very High  |
| <b>Investment style</b>               | Core           |
| <b>Manager Style</b>                  | Single Manager |

| <b>Asset Allocation</b> | <b>Benchmark (%)</b> | <b>Actual (%)</b> |
|-------------------------|----------------------|-------------------|
| Global Shares           | n/a                  | 99.48             |
| Cash                    | n/a                  | 0.52              |

| <b>Sector Allocation</b> | <b>%</b> |
|--------------------------|----------|
| Information Technology   | 33.06    |
| Financials               | 15.90    |
| Consumer Discretionary   | 9.28     |
| Materials                | 8.53     |
| Industrials              | 8.25     |
| Health Care              | 7.97     |
| Energy                   | 7.22     |
| Communication Services   | 4.61     |
| Consumer Staples         | 3.89     |
| Utilities                | 0.62     |
| Real Estate              | 0.15     |

| <b>Top Holdings</b> | <b>%</b> |
|---------------------|----------|
| Microsoft Corp      | 5.61     |
| ASML Holding Nv     | 2.70     |
| Berkshire Hathaway  | 2.69     |
| Alphabet Inc        | 2.61     |
| Sberbank Of Russia  | 2.07     |
| Samsung Electronics | 1.88     |
| Adobe Inc           | 1.56     |
| Apple Inc           | 1.42     |
| Johnson & Johnson   | 1.38     |
| Vale S.A.           | 1.32     |

## Investment Option Summary

Relative to the Benchmark, Consumer Discretionary was the largest sector contributor to performance over the quarter, as a result of underweight positioning in Chinese Consumer Discretionary and stock selection in US Consumer Discretionary, while Communication Services was also a relative contributor, owing to underweight positioning in Chinese Communication Services. Information Technology was the largest sector detractor on a relative basis, driven by overweight positioning in South Korean IT and in Dutch IT.

China was the top country contributor on a relative basis, driven by underweight positioning in Chinese Consumer Discretionary and Chinese Communication Services, as mentioned. Brazil was the largest relative country detractor, owing to overweight positioning and stock selection in Brazilian Materials.

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

Despite a strong quarter for corporate earnings, equities generally finished the third quarter lower as markets gave back early quarter gains in September. Emerging market stocks were under pressure as increased regulatory pressure in China sent shares in numerous industries, such as education and technology, tumbling. COVID-19 trends remained in focus as the Delta variant spread and a number of regions reinstated restrictions, threatening the global recovery. This intermittently weighed on risk assets, although the market response overall was fairly muted. While some growth indicators slowed from the prior quarter, investor concerns turned to stagflation as various price indicators, including the price of oil, moved higher amid supply chain disruptions and constraints. Central bank officials attempted to calm markets, continuing to suggest that recent inflationary pressures were transitory. However, this occurred as even the more dovish central banks began to taper asset purchases or signal the imminent start of tapering. Furthermore, a number of banks began raising benchmark interest rates, and those that did not, including the US Federal Reserve, saw the timing of expected rate hikes pulled forward. As a result of these dynamics, interest rates moved higher globally, the US dollar rallied, and volatility indices rose into quarter end. Additionally, many industrial commodities, such as copper and iron, underperformed into quarter end due to demand worries exacerbated by the regulatory crackdowns in China. Energy was the best performing market sector during the third quarter, bolstered by higher oil prices. A rising interest rate environment and robust deal activity also supported the Financials sector. Consumer Discretionary stocks underperformed during the quarter, particularly those in Asia subject to Chinese regulatory pressures. In line with the weakness in industrial metals, Materials stocks performed poorly as well.

## Availability

| Product name                            | APIR      |
|---|-----------|
| AMP Flexible Lifetime Super             | AMP1530AU |
| AMP Flexible Super - Retirement account | AMP1590AU |
| AMP Flexible Super - Super account      | AMP1578AU |
| CustomSuper                             | AMP1530AU |
| Flexible Lifetime - Allocated Pension   | AMP1542AU |
| SignatureSuper                          | AMP1554AU |
| SignatureSuper Allocated Pension        | AMP1566AU |

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