

Arrowstreet Global Equity

Quarterly Investment Option Update

31 December 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

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	N/A	99.49
Cash	N/A	0.51

Sector Allocation	%
Information Technology	32.50
Financials	15.46
Consumer Discretionary	9.72
Health Care	9.57
Energy	8.21
Materials	7.52
Industrials	6.60
Communication Services	4.95
Consumer Staples	4.28
Real Estate	0.44
Utilities	0.24

Top Holdings	%
Microsoft Corp	5.97
Alphabet Inc	3.14
ASML Holding Nv	2.76
Berkshire Hathaway	2.55
Apple Inc	1.98
Samsung Electronics	1.78
Taiwan Semiconductor Manufacturing	1.58
Tokyo Electron	1.41
Adobe Inc	1.39
Coca-Cola Co	1.34

Investment Option Summary

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

The United States was the top country contributor on a relative basis, driven by stock selection and overweight positioning in US IT and stock selection and underweight positioning in US Communication Services, both as mentioned. Russia was the largest relative country detractor, owing to the aforementioned overweight positioning in Russian Financials, as well as overweight positioning in Russian Energy.

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

Stocks in North America and Europe rallied in the fourth quarter of 2021, while stocks in emerging markets and the Pacific region fell. Potential growth impacts of the COVID-19 pandemic remained in focus throughout the quarter as the new Omicron variant spread. However, surging case rates and new lockdowns, while contributing to several market drawdowns during the quarter, did little to derail investor optimism into year end. Economic data overall for the quarter was mixed across regions, but inflation prints continued to surprise to the upside, fanning concerns of stagflation. Notably, the US consumer price index increased 6.2% year-over-year in October, its largest jump in 31 years. Supply chains experienced continued stress and commodity prices moved higher, albeit with significant volatility intra-quarter. Central banks, such as the US Federal Reserve and the Bank of England, shifted policy language to suggest that inflation will likely persist rather than be transitory, and many banks began to roll back pandemic era stimulus measures, including tapering asset purchases and raising benchmark interest rates. Nevertheless, interest rates saw little overall change during the period as these moves were widely expected. One exception to this was the Central Bank of Turkey, which cut interest rates several times amid spiking inflation. Despite numerous interventions by the central bank, the lira plummeted and Turkish 10-year bond yields soared to all-time highs, leading to extreme economic uncertainty and civil unrest. Information Technology was the best performing market sector during the fourth quarter, notching double digit gains. Utilities also performed well. Communication Services was the worst performing sector during the quarter. Despite being the best sector performer for the year, Energy also underperformed in the fourth quarter, especially in November amid highly volatile oil prices.

Availability

Product name	APIR
SignatureSuper	AMP1554AU*
SignatureSuper Allocated Pension	AMP1566AU*

*Closed to new investors

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