Specialist International Share

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the MSCI World (ex-Australia, ex-Tobacco) Accumulation Index with net dividends reinvested on a rolling 3-year basis. It uses a multi-manager approach that offers investors with exposure to different underlying investment strategies focused on international shares (excluding Australia). In certain market conditions, the portfolio may hold a higher level of cash than the 10% limit.

Note: An unhedged strategy results in net performance being impacted (positively or negatively) by movements in the Australian dollar, relative to other currencies where the portfolio holds exposure.

Investment Option Performance

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

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
Global Shares	98.87
Cash	1.13

Sector Allocation	%
Health Care	16.87
Information Technology	14.82
Financials	13.42
Energy	11.15
Consumer Discretionary	8.74
Communication Services	8.47
Industrials	8.19
Materials	6.40
Consumer Staples	5.98
Cash	2.84
Utilities	1.70
Real Estate	1.17
Futures	0.25

Top Holdings	%
MICROSOFT CORP	3.76
ALPHABET INC	2.85
UNITEDHEALTH GROUP INC	2.84
ASTRAZENECA PLC	1.58
ABBVIE INC	1.12
EXXON MOBIL CORPORATION	1.08
JOHNSON & JOHNSON	1.07
PROCTER & GAMBLE CO/THE	1.05
OCCIDENTAL PETROLEUM COR	0.91
MERCK & CO INC	0.90

Region Allocation	%
North America	59.43
Europe ex UK	13.61
Emerging Markets	9.08
UK	7.23
Japan	5.96
Cash	2.80
Pacific ex Japan	1.89

Fund Performance

The Fund posted a negative return, whilst comfortably outperforming its benchmark during the June quarter. Whilst all of the Fund's five underlying managers lost ground, four managers outperformed their respective benchmarks, led by Schroders and Arrowstreet. The Fund continues to outperform its benchmark over the longer term, including over 5 years and since inception (annualised). (All returns are before fees.)

At a country level, allocation was postive overall on a relative basis over the period. Within developed markets, the main contributors were from an overweight exposure to the United Kingdom and an underweight exposure to the US. In emerging markets, holdings in South Africa and China were the main contributors to performance. The Fund's cash position, which is held mainly in US dollars, added value as markets retreated.

Sector allocation added significant value overall to relative returns. An overweight exposure to energy and underweight in IT were the key drivers to easily outweigh the detraction from an underweight exposure to utilities, which detracted most.

Stock selection was also a strong contributor to relative returns, particularly positions in consumer discretionary, IT and health care stocks, while positions in industrials and materials stocks were the main detractors.

The largest individual stock contributors were the underweight exposures to Amazon.com and NVIDIA Corporation as well as having a nil position in Tesla.

Online retailer and cloud services provider Amazon.com (-29%) shares fell after the company provided its latest quarterly update which included slowing revenue growth and lower forecasts for the upcoming quarter, as higher inflation, rising fuel and labour costs and global supply chain issues impacting company performance. Shares in US-based specialist technology company NVIDIA Corporation (-39%) and US-based automaker and energy storage company Tesla (-32%) suffered alongside many high-profile US technology companies, with heavy selling being fuelled by some investors fearing these companies would be unable to sustain their prior outperformance if the economy softens.

The largest individual stock detractors were the overweight exposures in GXO Logistics, XPO Logistics and Newcrest Mining.

US trucking transport company XPO Logistics (-28%) and logistics solutions provider GXO Logistics (-34%) fell along with many other US road transport and related logistics companies as concerns escalated around higher interest rates and potential recession. Shares in Australian gold miner Newcrest Mining (-22%) suffered alongside other gold miners as the gold price softened, with soaring inflation and concerns about rising interest rates weighing.

Market Review

Global shares fell significantly over the June quarter as the combination of prevailing high inflation, rising interest rates and fear of recession continued to dent market optimism. A highly volatile energy market also impacted, exacerbated by the Russian war on Ukraine which further stoked market fears. The MSCI World ex Australia index returned -14.4% over the quarter, capping off one of the worst consecutive two quarters for performance in around 50 years. Some positives however did emerge, including China easing its lockdown restrictions and Fed officials slightly reining in their recent hawkish tone as some very tentative signs inflation may be close to a peak appeared. While corporate earnings growth has generally remained solid, management comments around increased cost pressures was another theme also likely factored into the price falls. Emerging markets also fell significantly, though to not as a great a degree as their developed peers, returning -8.1%, as measured by the MSCI Emerging Markets index. China's easing of lockdowns appeared to be the prime driver of the outperformance. Meanwhile a strong US dollar may have likely capped stronger performance for emerging markets, as the majority of emerging market debt is held in this currency. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

As central banks continue to raise rates amid record levels of global debt, markets have begun to factor in a growing likelihood of recession, as well as inflation prevailing for some time yet. Corporate earnings remain mostly strong, though some companies have noted increased costs eating into margins. Russia's war on Ukraine meanwhile is continuing to exacerbate global supply chain issues. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. While further short-term volatility may ensue, we continue to believe the longer-term trend will remain to the upside, and that investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0855AU**
Flexible Lifetime - Investments (Series 2)	AMP1421AU**
SignatureSuper	AMP0803AU
SignatureSuper - Allocated Pension	AMP1159AU
SignatureSuper Term Pension	AMP1159AU

**Closed to new and existing investors

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