Specialist Hedged International Share

Quarterly Investment Option Update

30 September 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 (100% hedged to Australian dollars) 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: A currency hedged strategy attempts to reduce the impact of movements in the Australian dollar, relative to other currencies where the portfolio holds exposure, to smooth net performance.

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	5 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	100.00

Sector Allocation	%
Information Technology	16.72
Cash	13.30
Financials	13.17
Health Care	12.45
Energy	11.40
Consumer Discretionary	8.37
Industrials	7.21
Communication Services	5.18
Consumer Staples	4.90
Materials	4.00
Utilities	1.53
Real Estate	1.20
Futures	0.57

Top Holdings	%
MICROSOFT CORP	3.12
UNITEDHEALTH GROUP INC	1.91
ALPHABET INC	1.53
ASTRAZENECA PLC	1.35
Shell PLC	1.30
EXXON MOBIL CORPORATION	1.16
APPLE INC	1.11
HDFC Bank Ltd	1.03
VISA INC	1.02
TOTALENERGIES SE	0.86

Region Allocation	%
North America	53.91
Europe ex UK	13.51
Cash	13.28
United Kingdom	6.17
Japan	5.33
Asia ex Japan	4.91
Others	2.54
Australasia	0.35

Fund Performance

The Fund posted a negative return and underperformed its benchmark during September quarter, giving back some of the strong outperformance in the first half of the year. All of the Fund's five underlying managers lost ground, with Orbis outperforming their respective benchmark. The Fund continues to outperform its benchmark over the long term, including since inception (annualised). (All returns are before fees.)

At a country level, active allocation was slightly negative overall on a relative basis. Within developed markets, the underweight position in the US and overweight in the UK and were the main detractors, whilst an underweight exposure to Germany was the main contributor. In emerging markets, holdings in Brazil were the main contributors to performance. The Fund's cash position in US dollars contributed as the currency rallied strongly.

Sector allocation was also a slight detractor overall. Underweight exposures to information technology and consumer discretionary were the main detractors and outweighed the contribution from an overweight exposure to energy.

Stock selection was the largest detractor from relative returns during the period, particularly positions in IT and consumer discretionary stocks, while positions in financials stocks were major contributors to performance overall. The largest individual stock detractors were the underweight exposures to Apple and Amazon.com and having a nil position in Tesla.

Shares in US-based technology company Apple (+8%) rose after the company released results for the June quarter which included iPhone sales, revenue and profit which exceeded market expectations. US-based automaker and energy storage company Tesla (+26%) rebounded after the company reported revenue growth of 42% in the June quarter. Shares in online retailer and cloud services provider Amazon.com (+8%) shares also rallied on the back of announcing better-than-expected revenue results, with company management providing improved guidance.

The largest individual stock contributors were the overweight exposures in Sunrun, Cheniere Energy and Petroleo Brasileiro.

US home solar panel and battery storage company Sunrun (+26%) saw its share price surge after a number of broker analysts increased their stock price forecasts on the back of healthy company results being announced during the period. Shares in US LNG producer Cheniere Energy (+34%) rallied as elevated natural gas prices supported revenue. State-owned Brazilian oil producer Petroleo Brasileiro (+34%) shares also rose, with the company's latest results being buoyed by elevated oil prices and following the first round of the country's presidential elections, with the closer than expected outcome encouraging for investors as economic reforms may be more likely.

The hedged exposure to the Australian dollar had a negative impact on returns, primarily due to the currency's depreciation compared to the US dollar over the period.

Market Review

A rally early in the September quarter promptly reversed, as sharemarkets fell on concerns around the ongoing high levels of inflation, further rate rises from central banks and a growing likelihood of recession. International shares ended the quarter down by 4.5%, as measured by the MSCI World ex Australia index. (However due to currency movements, positive returns were recorded in both Australian and New Zealand dollar terms.) While hopes of a peak in inflation were stoked by a pullback in the prices of some core goods, core services now look to be taking the lead in driving the CPI. An escalating situation in Ukraine also didn't help, with Russian nuclear threats reiterated. US corporate earnings meanwhile came in generally ahead of expectation, while outlooks were not as bad as feared. Emerging markets fared worse over the period, falling by 8.2%, as measured by the MSCI Emerging Markets index. Chinese equities were a major driver of the underperformance amid weak Chinese growth, ongoing uncertainty around "zero-COVID" lockdown restrictions and property market issues. A strengthening US dollar also likely impacted, given most emerging-market national debt is held in US dollars. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

As central banks continue to raise interest rates to fight inflation, markets appear to have factored in a strong likelihood of recession. Corporate earnings are facing headwinds, with increased costs eating into margins often reflected by downwards revisions to earnings estimates. The war in Ukraine is likely to continue to exacerbate uncertainties in energy prices. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. Significant falls in markets tend to create strong investment opportunities and we believe investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well in the long-term.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1006AU**
Flexible Lifetime - Investments (Series 2)	AMP1418AU**

**Closed to new and existing investors

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