

Specialist Hedged International Share

Quarterly Investment Option Update

31 March 2023

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
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global Shares	100
Cash	0

Actual Allocation	%
International Shares	98.14
Australian Shares	0.44
Listed Property and Infrastructure	1.11
Cash	0.31

Sector Allocation	%
Financials	19.41
Information Technology	18.43
Health Care	13.73
Industrials	9.71
Energy	9.36
Consumer Discretionary	9.20
Communication Services	6.88
Materials	5.00
Consumer Staples	4.63
Utilities	1.64
Real Estate	1.15
Futures	0.55
Cash	0.33

Top Holdings	%
MICROSOFT CORP	3.42
Alphabet Inc	3.09
UNITEDHEALTH GROUP INC	2.02
APPLE INC	1.87
AstraZeneca PLC	1.76
Novo Nordisk A/S	1.26
Shell PLC	1.17
VISA INC	1.11
HDFC Bank Ltd	1.09
TotalEnergies SE	1.03

Region Allocation	%
North America	59.53
Europe ex UK	15.83
Japan	8.06
United Kingdom	7.06
Asia ex Japan	6.52
Others	2.31
Australasia	0.38
Cash	0.31

Fund Performance

The Fund posted a strong positive return however underperformed its benchmark during the March quarter. The Fund's five underlying managers gained ground, with the exception of GQG, whilst all managers underperformed their benchmarks during a volatile period.

At a country level, active allocation held back performance on a relative basis. Holdings in Brazil and India detracted most, while within developed markets, the overweight position in Luxembourg was the main detractor. On a positive note, the overweight positions in the Netherlands and Ireland were the strongest contributor, with holdings in Taiwan also supportive.

Sector allocation also hampered Fund performance. Being overweight to energy and underweight to IT were the main detractors, outweighing the contribution from the underweights to real estate and consumer staples. Stock selection was also a significant detractor from relative returns, particularly positions in IT and consumer discretionary stocks, while positions in financials contributed most.

The largest individual stock detractors were underweight exposures to Apple and NVIDIA Corporation and having a nil position in Tesla. Shares in US-based technology company Apple (+29%) rebounded along with other IT peers as speculation that the Fed would pivot its interest rate hikes provided support to growth stocks. Specialist technology company NVIDIA (+92%) was further buoyed after confirming better than expected sales forecasts from its chips which power artificial intelligence services such as chatbots. US-based automaker and energy storage company Tesla (+69%) rebounded after releasing earnings for Q4 which exceeded expectations, with revenue soaring.

The largest individual stock contributors were an underweight exposure to Pfizer, an overweight holding in Banco Santander and having a nil position in Chevron Corp. US-based pharmaceutical company Pfizer (-19%) struggled as company revenue is expected to fall on lower sales for its COVID-19 vaccine. Spanish financial services company Banco Santander (+26%) rose strongly after the market welcomed management's announced strategy for growth over the next three years. Oil and gas company Chevron Corp (-7%) fell alongside peers on concerns about banking failures which fed into oil price weakness.

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

Despite some volatility, international shares rose strongly over the March quarter, with the MSCI World ex Australia index finishing the period up by 7.5% in local currency terms, or 9.2% in Australian dollar terms given relative weakness in the Australian dollar.

Reflecting recent previous quarters, the policy and tone of the central banks seemed to have prime influence over the market's direction, compared to economic fundamentals. Exemplifying this was the sudden emergence of solvency concerns in regional US banks after the collapse of Silicon Valley and Signature banks, as well as the rescue of Credit Suisse courtesy of a UBS takeover, combined with the help of the Swiss National Bank. For the remaining weeks of the quarter however sharemarkets generally rose strongly, as traders were spurred on by a

prompt move from global central banks to limit any contagion, by way of providing significant cheap liquidity.

Economic data continued to be indicative of likely recessionary conditions ahead, with the market again taking this somewhat positively given continued moderation of inflation levels. Corporate data meanwhile was soft and reflective of higher interest rates beginning to bite, with more negative surprises in the December earnings results than positive. Energy and industrials were the standout sectors, showing strong earnings growth. Forward guidance statements were unsurprisingly focussed on rising costs.

Outlook

After many months of rate rises from central banks, signs are emerging more broadly that global inflation has indeed topped out and a recession appears quite likely, though not guaranteed. In any case, for long-term investors, this generally shouldn't be a concern, as these conditions are part of the normal economic cycle. While the environment may toughen for companies, stronger businesses will likely emerge with increased market dominance. Furthermore, share prices tend to lead the economic cycle, rather than be synchronised to it. We believe a diverse basket of businesses bought at reasonable prices, particularly those with strong competitive advantage that generate high amounts of cash from their shareholders' capital, will serve investors well over 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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