

# Platinum International

## Quarterly Investment Option Update

30-June-2016

### Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1586AU
Flexible Super – Choice (Super)	AMP1574AU
CustomSuper	AMP1526AU
Flexible Lifetime – Allocated Pension	AMP1538AU
Flexible Lifetime – Super	AMP1526AU
Signature Super	AMP1550AU
Signature Super – Allocated Pension	AMP1562AU

### Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au). You can also view the last investment performance specific to you by visiting your My Portfolio account.

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### Overview

**Aim & Strategy:** To provide capital growth over the long term through searching out undervalued listed (and unlisted) investments around the world.

The MSCI All Country World Net Index (in Australian dollars) is referenced for performance comparison purposes, however, the investment manager does not invest by reference to the weight of the index and therefore the security holdings may vary considerably to the make-up of the index. The portfolio primarily invests in listed securities. The portfolio will ideally consist of 100 to 200 securities that the investment manager believes to

be undervalued by the market. Cash may be held when undervalued securities cannot be found. The investment manager may short sell securities that it considers overvalued. The portfolio will typically have 50% or more net equity exposure.

The portfolio:

- Permits a wide range of investments including international shares, cash, fixed income (debt) securities, derivatives, currency contracts and, at times, Australian shares.
- May invest in bullion and other physical commodities (total value at the time of acquisition will not exceed 20% of the net asset value).
- Does not have any restriction on borrowing, however, the investment manager's policy is not to borrow on behalf of the portfolio. Short term overdrafts can arise from trade settlement delays.
- Is subject to foreign currency exposure which is managed using hedging devices (e.g. foreign exchange forwards, swaps, "non-deliverable" forwards, and currency options) and cash foreign exchange trades.
- May use derivatives for risk management purposes and to take opportunities to increase returns. The underlying value of derivatives may not exceed 100% of the net asset value of the portfolio and the underlying value of long stock positions and derivatives will not exceed 150% of the net asset value of the portfolio.

May use short selling for risk management purposes and to take opportunities to increase returns.

**Investment category:** Specialist equities

**Suggested Investment Timeframe:** 5+ years

**Relative Risk Rating:** High

**Investment Style:** The investment manager uses a series of individual security selection techniques.

Asset Allocation	Benchmark (%)	Range (%)
Global Shares	n/a	0-100**
Cash	n/a	0-100**

\*\* The underlying value of derivatives may not exceed 100% of the Net Asset Value (NAV) of the portfolio and the underlying value of long stock positions and derivatives will not exceed 150% of the NAV of the portfolio.

## Holdings

Industry Exposure	%
Information Technology	24.4
Financials	13.8
Consumer Discretionary	11.9
Health Care	10.2
Industrials	5.4
Consumer Staples	5.8
Materials	5.0
Utilities	2.9
Energy	5.7
Telecom Services	3.0

Regional Exposure	%
Australia	1.0
Austria	0.5
Canada	0.9
China (Listed PRC)	5.3
China (Listed ex PRC)	12.7
Hong Kong	0.6
France	4.5
Germany	2.8
Hungary	0.2
India	5.7
Italy	4.3
Japan	10.9
Korea	5.4
Malaysia	0.6
Norway	0.9
Russia	1.2
Singapore	0.2
Sweden	1.9
Switzerland	1.0
Thailand	0.3
United Kingdom	5.3
United States of America	21.8

Top Ten Securities	%
Samsung Electronics Co Ltd	3.6

Tencent Holdings Ltd	2.8
Alphabet Inc	2.7
AstraZeneca PLC	2.3
Sanofi SA	2.2
Paypal Holdings Inc	2.1
Cisco Systems Inc	2.1
Ericsson LM-B	1.9
Inpex Corporation Ltd	1.8
PICC Property & Casualty Co	1.8

## Market Commentary

The quarter was characterised by a further recovery in confidence following the growth scares that climaxed in February. The global index progressively rose for most of the three months with a change of tone as cyclicals (energy and materials) played catch-up with defensives (consumer staples, health care and utilities). At least that was the case until the Brexit vote was announced. By the measures of earlier shocks, it proved a short affair, though powerful, with the MSCI world index cracking by 7% in three days. By month end, discussions seem to have settled back to the practical remedies available and a belief that there was only a modest threat of a contagion as Euro leaders considered measures that addressed issues like the funding of the Italian banks. The European Central Bank and the Bank of Japan are pumping huge sums into the banks by buying a wide array of mostly fixed income instruments. The obvious consequence of slow growth and massive price-insensitive buying has been the growing (and unprecedented) list of sovereign bonds that are trading at negative yields.

## Investment Option Commentary

The Manager pursued their barbell strategy of looking for established growth companies that are temporarily out of favour as well as others which had been unduly punished for having businesses that are dependent on general market conditions, like the energy sector. The latter, oil and gas, remains highly prospective on account of record low levels of spare capacity in the face of possible disruptions and a commonly held view that increases in the production of shale oil and gas will prevent these commodity prices from rising much above current levels. Previously the Manager has found well-known names that are going through business make-overs and these have proved resilient and profitable investments. The Manager has recently added to this list with the acquisition of Johnson and Johnson.

The search for certainty in equity markets is exemplified by consumer staple companies, particularly in the US, whose prices outperformed the broader S&P500 index by 35% since 2010 while their sales and earnings trailed the average by 18%. By contrast to the 'index aware' managers, the Manager is index agnostic and in its opinion, the odds do not favour renewing bets on the same colour when there has been a significant de-rating of all markets versus the US. The Fund's portfolio is predominantly composed of growing companies and those that are paying back decent amounts of income to shareholders and are also likely to grow, though in the main, slowly. The Manager strongly favours this portfolio over the alternatives of long-dated negative-yielding bonds or very highly priced consumer staples.

The principal currency changes were to be fully hedged out of the Chinese currency, to reduce exposure to the Yen as it rose sharply, and to add slightly to the Australian dollar.

## Outlook

There are mixed signals about the general state of world growth. When assessing the portfolio, the Manager assumes relatively slow growth and, for the present, little threat of an inflation uplift notwithstanding the improving price trend of various commodities. Profits will remain hard to grow, but when companies with strong market positions are on offer at P/E multiples of 12 to 14 times this year's earnings, a degree of risk has already been accounted for. The Fund's weak performance to date is due to a very different allocation to the average global fund, and the Manager sees little virtue in joining the crowds. It is the Manager's view that the case for more intervention by central banks is weakening and that governments will progressively turn to fiscal stimulus as they discard the mantra of fiscal rectitude that is a hangover from times when demand exceeded supply.

## What you need to know

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