

Specialist International Share

Quarterly Investment Option Update

31 March 2017

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, higher than the return from the MSCI World (ex-Australia) Accumulation Index on a rolling 3 year basis, through a diversified portfolio of international shares. In certain market conditions, the portfolio may hold a higher level of cash than the 10% limit.

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0659AU
AMP Flexible Super - Retirement	AMP1357AU
AMP Flexible Super - Super	AMP1486AU
CUSTOM SUPER	AMP0659AU
Flexible Lifetime - Allocated Pension	AMP0606AU
Flexible Lifetime - Term Pension	AMP0929AU
Flexible Lifetime Investment	AMP0855AU
Flexible Lifetime Investment (Series 2)	AMP1421AU
MultiFund Flexible Income Plan	AMP0733AU
Signature Super	AMP0803AU
Signature Super Allocated Pension	AMP1159AU

Investment Option Overview

Investment category Global Equities

Suggested investment timeframe 5 - 7 years

Relative risk rating High

Investment style Multi-Manager

Asset Allocation	Benchmark	Range (%)
Global Shares	100	90-100
Cash	0	0-10

Top Ten International Shares Exposure	%
Alphabet Inc	2.45
Microsoft Corp	2.11
APPLE INC	1.73
QUALCOMM Inc	1.47
Visa Inc	1.27
WELLS FARGO & COMPANY	1.27
Facebook Inc	1.15
PayPal Holdings Inc	1.07
Lowe's Cos Inc	1.05
Charter Communications Inc	0.94

Industry Exposure	%
Information Technology	25.58
Financials	15.53
Consumer Discretionary	14.00
Health Care	9.87
Industrials	9.22
Consumer Staples	8.77
Materials	5.50
Cash	4.63
Energy	3.43
Telecommunication Services	1.57
Real Estate	1.10
Utilities	0.47
Others	0.22
Other	0.11

Regional Exposure	%
North America	56.69
Europe ex UK	15.48
Japan	8.60
United Kingdom	7.16
Asia ex Japan	6.03
Cash	4.63
Others	1.15
Australasia	0.25

Portfolio Summary

- > International equity markets rose again in the March quarter, with emerging markets leading the charge.
- > The Fund posted a positive return for the quarter and outperformed the benchmark.
- > Global shares are likely to trend higher over the next year, as global growth feeds through to higher corporate earnings.

Investment Option Commentary

The Fund posted a positive return in the March quarter, and outperformed its benchmark for the period. Of the five underlying managers, Arrowstreet, American Century and Magellan outperformed the benchmark, while Schroders and Orbis underperformed. The Fund remains ahead of the benchmark (before fees) over longer time periods.

Sector allocation and country allocation had a positive effect on the Fund's performance relative to the benchmark, especially the weighting to emerging markets, while stock selection also added some value. The overweight exposures to China, South Korea and Brazil were all strong contributors to Fund performance.

In sectoral terms, an allocation to the strong information technology sector, and an underweight in the weak energy and telecommunications services sectors were positive; but these gains were somewhat moderated by an underweight position in the rising health care sector. In a quarter of positive market returns, the tactical allocation to cash by one of the underlying managers had a slight negative effect on the Fund's relative performance.

The strongest single contributor to performance over the quarter was the underweight holding in Exxon Mobil, whose shares have fallen 13% over the period, following strong share price growth in Q4 2016 and the announcement of an impairment charge in the upstream business. An overweight position in Chinese technology company NetEase was also a strong contributor. The stock rose 32% over the quarter, after quarterly profits rose year-on-year, driven by significant growth in its online games business. Other positive contributors included underweight positions in Verizon Communications (-13%) and General Electric (-10%), and overweight positions in Facebook (+17%) and Adobe Systems (+20%).

The most significant detractor from performance over the quarter was an overweight holding in US-based chip maker Qualcomm Inc, which fell 16% over the quarter, in part due to government accusations of anti-competitive behaviour. Other detractors included an overweight position in US oil & gas explorer Apache Corporation, which fell 19% over the quarter, after reporting a net loss for 2016, and an underweight position in Amazon.com, which has rallied 12% in the first three months of 2017.

Market commentary

Global shares again rose strongly in the March quarter, with the MSCI World ex Australia Net Index closing up 5.4% in local currency terms, all while exhibiting an unusually low level of volatility. Uncertainty stemming from the Trump election victory continued to dissipate through the early to mid-March quarter, replaced with continued investor optimism over the President's growth-stimulating policies such as large-scale infrastructure spending, reduced corporate tax and deregulation. This is being reflected by many major equity markets being at or near record-highs. Emerging markets did even better and closed up by 7.8% (as measured by the MSCI Emerging Markets Accumulation Index in local currency terms).

Outlook

Although the new US administration has been broadly positive for stocks, there remains considerable uncertainty regarding future actions particularly in the implementation of political intentions. However, following any short-term weakness, we still expect shares to trend higher over the next 12 months, helped by the synchronised pickup in global economic activity data, the growing inflationary impulse, and the ultimate feed through to nominal growth and nominal corporate earnings. Japanese and European equities continue to be our pick to see the better performance in this macro environment.

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