

Schroder Global Active Value

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1377AU
Flexible Super – Choice (Super)	AMP1466AU
CustomSuper	AMP0859AU
Flexible Lifetime – Allocated Pension	AMP0872AU
Flexible Lifetime – Investments (Series 1)	AMP0844AU
Flexible Lifetime – Investments (Series 2)	AMP1402AU
Flexible Lifetime – Super	AMP0859AU
MultiFund Flexible Income Plan	AMP0986AU
Signature Super	AMP0967AU
Signature Super – Allocated Pension	AMP1141AU

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. You can also view the last investment performance specific to you by visiting your My Portfolio account.

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Overview

Aim & Strategy: The Schroder Global Value Fund is an index unconstrained global equity strategy that aims to generate long-term returns before fees in excess of traditional capitalisation weighted global equity indices by investing in a diversified portfolio of equity and equity related securities of companies worldwide excluding Australia using a Value based investment strategy. Returns provide diversification benefits to typical global equity benchmarks and other global equity managers.

Currency exposure is typically unhedged, however currency derivatives may be used with equity index futures in managing cash flows or to manage active currency positions relative to global equity indices for risk management purposes.

Investment return objective: To generate long-term returns before fees in excess of traditional capitalisation weighted global equity indices.

Investment category: Global equities

Suggested Investment Timeframe: 7+ years

Relative Risk Rating: High

Investment Style: Value

Asset Allocation	Actual (%)	Range (%)
Global Equities	98.1%	90-100%
Cash	1.9%	0-10%

Holdings

Industry Exposure	%
Banks	14.1
Consumer Discretionary	13.2
Information Technology	12.6
Health Care	12.5
Consumer Staples	8.0
Industrials	7.4
Insurance & Asset Management	7.1
Energy	6.4
Materials	6.3
Telecommunication Services	6.2
Real Estate	2.5
Utilities	1.7
Cash	1.9

Regional Exposure	%
North America	42.8
Emerging Markets	15.7
Continental Europe	14.9
United Kingdom	11.3
Japan	9.7
Pacific ex Japan	3.8
Cash	1.9

Top Ten Securities	%
Legal & General	0.78
Express Scripts	0.77
Roche	0.76
Pfizer	0.75
Merck & Co	0.75
TSMC	0.75
Kimberly Clark Corp	0.74
Amgen	0.73
AbbVie	0.72
Unilever	0.72

Market Commentary

2017's macroeconomic backdrop was generally supportive for equities, with low interest rates, stable economic expansion, benign inflation, and generally positive earnings releases allowing investors to overlook a comparatively turbulent geopolitical picture. As a result, global equity markets delivered 12 successive months of positive performance, a feat that has not been seen over the past 30 years.

The year began with markets buoyed by President Trump's plans for tax cuts, deregulation and infrastructure spending, and their implications for growth. Whilst his ability to deliver on pre-election promises soon came into question, economic data

remained supportive and the US market reached a series of new milestones over the course of the year.

Investment Option Commentary

The final few months of the year provided a better environment for the strategy, with a movement of market leadership away from the momentum stocks that have dominated for much of the year.

Notable contributions came from positions in US healthcare, materials and financials, while the longstanding underweight exposure to US utilities also added value.

On a sector basis, stock selection in the US healthcare sector was a key contributor to outperformance. Not holding expensive medical equipment companies was profitable, as were holdings in pharma and biotech. Within financials, the gains from the holdings in US consumer finance, which rallied as US tax reform edged closer, and from UK and US asset managers. Exposure to some emerging EMEA names also contributed. The materials holdings did well on the back of rising commodity prices, notably mining stocks in the UK and emerging EMEA.

The holdings in Japanese telecoms providers were a detractor over the month, as the market reacted to news of increased competition in the region.

Within healthcare, the well-established overweight in healthcare providers proved profitable, whilst not holding certain US pharmaceutical names also benefited the portfolio. Within financials, the Fund gained from the holdings in consumer finance and asset managers, whilst exposure to some emerging European names also contributed. The materials holdings did well on the back of rising commodity prices over the quarter, notably mining stocks in the UK and emerging EMEA. The overweight holdings in Continental European chemicals companies also added value. Utilities, one of the top contributing sectors for the year, supported performance again in Q4.

Looking at the strategy over the year, underperformance was driven by the technology and consumer discretionary sectors, most notably in the US. Within technology, the preferred names, specifically attractively-valued companies such as Qualcomm and IBM, weren't rewarded, as investors focused on companies with exposure to topical secular growth themes. The strategy's lack of exposure to companies such as Facebook, Alphabet and Nvidia all detracted, as did underweights in Microsoft and Apple.

Within the consumer discretionary sector, the lack of exposure to expensive growth names such as Amazon weighed on relative returns, as valuations became ever more extended over the course of the year. Healthcare, one of the favoured sectors from a valuation and quality perspective, suffered. However, the Fund did see strong stock selection across a number of sectors including energy, real estate and financials. The strategy's longstanding underweight to the utilities sector also proved profitable.

The strategy has a diversified value exposure across the global sectors. The Fund sees opportunities across the full spectrum, from deep value in resources and Japan, to high-quality yield in consumer staples and cash-rich technology companies. Utilities and real estate are the only two sectors of the market in which the Fund maintains a low exposure, which is primarily in Asia. The Fund views valuation for most stocks in these sectors as unattractive, particularly in the US.

The most significant exposure remains financials. The Fund has added to this further over the quarter, across all regions

and most industries, in particular complex banks and life & health insurers in the US and UK. In this area of the market, the fund manager aims to take advantage of opportunities right across the quality spectrum. Deep value remains within some European and Asian banks. At the other end of the spectrum, the Fund has seen an increase in the number of high quality companies trading at what is viewed as very attractive valuations; in particular, within complex banks and life & health insurers, and within the US and UK.

Attractive valuations remain across a range of high quality companies in three out of the four defensive sectors. The Fund has continued to add to positions in consumer staples (across all industries, in the US in particular). The Fund maintains its exposure in healthcare (primarily amongst pharmaceutical companies and US healthcare providers) but the trades over the quarter have seen a small shift at a regional level. The Fund added to its exposure within the US and UK, funded from a reduction in other healthcare positions within Europe and Japan. The exposure in telecoms has a particular focus on integrated companies and mainly in Asia. Elsewhere, the Fund has added to its positions in consumer discretionary (media and retail in particular). Within resources, the Fund has selectively added to UK miners and US energy stocks, funded from a reduction in the positions within US chemicals and emerging market energy.

At a regional level, the shifts in “bottom-up” value opportunities versus profit-taking over the quarter has meant the Fund has increased its exposure to the UK and US, funded from a net reduction in its exposure to continental Europe and Japan.

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