

# Arrowstreet Global Equity

Quarterly Investment Option Update

30-June-2018

## Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1590AU
AMP Flexible Super – Choice (Super)	AMP1578AU
CustomSuper	AMP1530AU
Flexible Lifetime – Allocated Pension	AMP1542AU
Flexible Lifetime – Super	AMP1530AU
SignatureSuper	AMP1554AU
SignatureSuper – Allocated Pension	AMP1566AU

## 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 seek to achieve a long term (at least 7 years) total return before fees and expenses that exceeds the MSCI All Country World Index ex-Australia, in Australian dollars unhedged with net dividends reinvested. The portfolio invests primarily in shares of companies listed on stock exchanges around the world, but will also have some exposure to cash and derivatives. The portfolio will use derivatives such as foreign exchange contracts to facilitate settlement of stock purchases and to take active currency positions. Derivatives will not be used for leverage or gearing purposes. Exposure to international assets

is not hedged back to Australian dollars. This means that investors will also be exposed to currency risk because of movements in exchange rates. Note: The investment option's exposure to derivatives is not reflected in these ranges.

**Investment category:** Global shares

**Suggested Investment Timeframe:** 7+ years

**Standard Risk Measure:** 6/ High

**Investment style:** Core

Asset Allocation	Actual (%)	Range (%)
Global Equities	95.92%	95-100%
Cash	4.08%	0-5%

## Holdings

Industry Exposure	%
Consumer Discretionary	12.25%
Consumer Staples	5.11%
Energy	10.76%
Financials	9.92%
Health Care	15.41%
Industrials	7.86%
Information Technology	25.32%
Materials	6.15%
Real Estate	0.94%
Telecommunication Services	0.13%
Utilities	2.05%

Regional Exposure	%
Asia Ex Japan	1.79%
Europe Ex UK	15.32%
Japan	14.85%
North America	48.70%

United Kingdom	4.60%
Emerging Markets	10.65%

Top Ten Securities	%
Abbvie Inc	2.43%
Adobe Systems Inc	2.42%
Home Depot Inc	2.39%
Microsoft Corp	2.08%
Mastercard Inc	2.00%
Eni Spa	1.45%
Samsung Electronic	1.45%
Royal Dutch Shell	1.32%
Bristol-Myers Squibb Co	1.32%
Taiwan Semicon Man	1.24%

## Market Commentary

Equity market returns were mixed in the second quarter. Signs of slowing global growth and continued anxiety over the prospect of a trade war between the world's major economic powers weighed on a number of regional stock indices, particularly in emerging markets. North America was one of the top performing global regions as strong first quarter corporate earnings and supportive economic trends bolstered stock prices. In June, the U.S. Federal Reserve raised its benchmark interest rate by 0.25% and struck a hawkish tone, suggesting its intention to raise rates another two times before the end of the year. Conversely, the market deferred its expectations for policy tightening by the European Central Bank and the Bank of Japan amid softer economic growth indicators, political turmoil in Europe, and underwhelming inflation data in Japan. Despite the lack of coherent direction on trade policy from the White House, China appeared to be preparing for an extended period of trade disruptions, and Chinese equities saw steep declines. Elsewhere, a number of companies warned investors about the adverse impact that tariffs could have on profit margins. Trade concerns along with divergent outlooks for growth and monetary policy led to strength in the U.S. dollar, putting further pressure on emerging market currencies and equities.

Sector returns diverged sharply in the second quarter. Energy was the best performer as WTI crude oil prices rose over 15% on the heels of geopolitical unrest in the Middle East and tightening supply in North America. Information technology stocks also rallied led by strong earnings from mega-cap tech companies. Conversely, financial stocks fell as flattening yield curves, poor earnings quality, and capital worries for European banks weighed on shares, and telecommunications stocks showed continued weakness.

## Investment Option Commentary

The Arrowstreet Global Equity Fund returned behind the MSCI All Country World ex Australia Index in \$A unhedged for the quarter ending June 2018.

### Attribution summary

#### Brazil materials

The materials sector in Brazil was a significant outperformer in a very difficult quarter for Brazilian equities on the whole. Vale SA, which comprises over half of the basket, rose 15% over the quarter in local currency terms. During their first quarter earnings report, the company highlighted higher net operating revenues helped by higher base metals prices and increases to their ferrous minerals sales volume. The overweight positioning was motivated by basket level extreme sentiment signals and basket level indirect momentum signals.

#### United States energy

The MSCI U.S. energy index rose more than 12% during the second quarter as the price of WTI crude oil rose over 15% due to geopolitical tensions and supply concerns. Oil & gas drilling and oil & gas exploration & production firms, whose profit margins tend to be correlated with oil prices, fared the best, with subindustry returns of 21% and 18%, respectively. The underweight positioning was motivated by basket level quality signals and basket level price momentum signals.

### Stock commentary

#### Adobe Systems Inc. (United States information technology)

Adobe Systems Inc., a developer and marketer of computer software products and technologies, saw its share price continue to climb in the second quarter on the heels of strong prior quarter stock performance and financial results. In May, the company announced the acquisition of Magneto Commerce, adding e-commerce to its current suite of data and content offerings, and helping it compete with other integrated digital-commerce industry leaders. The overweight positioning was motivated by stock level quality signals and basket level quality signals.

#### Petrobras (Brazil energy)

Petroleo Brasileiro S.A., the vertically integrated national oil company of Brazil, saw its shares decline during the quarter after an organized strike by the country's truckers eventually led to the resignation of the company's CEO. The truckers were protesting the recent rise in oil prices, which the company had begun passing through to consumers, and they were demanding the company offer fuel subsidies to defray the impact. The overweight positioning was motivated by basket level indirect momentum signals and basket level price momentum signals.

## **What you need to know**

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