

# Specialist International Share

Quarterly Investment Option Update

30 June 2018

## 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](http://www.amp.com.au)

## Availability

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

## Investment Option Overview

<b>Investment category</b>	Global Equities
<b>Suggested investment timeframe</b>	5 - 7 years
<b>Relative risk rating</b>	High
<b>Investment style</b>	Multi-Manager

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

Top Ten International Shares Exposure	%
Alphabet Inc	2.39
Visa Inc	1.90
Microsoft Corp	1.72
Mastercard Inc	1.65
AbbVie Inc	1.65
Facebook Inc	1.60
WELLS FARGO & COMPANY	1.37
XPO Logistics Inc	1.30
Kraft Heinz Co/The	1.08
APPLE INC	1.02

Industry Exposure	%
Information Technology	24.78
Consumer Discretionary	13.74
Health Care	13.31
Financials	12.95
Industrials	8.73
Consumer Staples	6.99
Energy	5.85
Cash	5.04
Materials	4.14
Real Estate	1.71
Utilities	1.29
Telecommunication Services	1.05
Others	0.30
Other	0.12

Regional Exposure	%
North America	59.88
Europe ex UK	13.18
Japan	9.14
Asia ex Japan	5.63
Cash	5.24
United Kingdom	4.62
Others	2.13
Australasia	0.18

## Portfolio Summary

- > Despite a number of global concerns for investors throughout the June quarter, most markets climbed the 'wall of worries' to rise strongly.
- > The Fund lagged the benchmark during the period before fees, with two of the five underlying managers beating the benchmark.
- > Despite increased volatility, we still expect shares to trend higher over the next 12 months, helped by the synchronised pickup in global economic activity data.

## Investment Option Commentary

The Fund underperformed the benchmark during May (before fees); however it continues to outperform over a one, three and five-year horizon.

From a manager perspective, Magellan and American Century outperformed the benchmark during the month, whilst Orbis, Schroders and Arrowstreet underperformed.

Asset allocation had a negative impact overall on performance, primarily due to the overweight exposure to emerging markets such as Brazil and South Korea. Conversely, underweight allocations to Germany and France were the main contributors. From a sector perspective, positive sector allocation, led by the Fund's overweight allocation to information technology, was more than offset by stock selection, particularly within the information technology sector.

Stock selection added value to the Fund's performance during the period. The overweight position in US-based transport logistics services provider XPO Logistics (+9%) was the largest individual contributor to outperformance. The company continued to outperform after announcing strong financial results for the March quarter, which included delivering record revenue, net income and key earnings metrics. In addition, management reaffirmed its full-year earnings targets. Other contributors to returns included overweight holdings in US-based home improvements and appliances company Lowe's (+15%) and US-based computer software company Adobe Systems (+13%).

An underweight exposure to Apple (+14%) and overweight exposures to Symantec Corp (-25%) and KB Financial Group (-16%) were the main detractors at the stock level. Apple's shares rose after releasing results for the March quarter which showed strong growth in its services division, with the stock being further supported by the news that Warren Buffet's Berkshire Hathaway had continued to increase its stake in the company during the March quarter.

## Market commentary

Global developed share markets rose in May, with the MSCI World ex Australia Net Index ending the month 1.3% higher, despite the threat of a US trade war and increasing geopolitical uncertainty. In terms of geopolitics, the most important events during the month centred on Europe and the potential for instability. Italy's new government formation was fraught with difficulties and constitutional issues as the Five Star Movement and Lega Nord moved towards an uneasy alliance, raising further questions on Eurozone cohesion. In the US, despite the ongoing threat of a trade war the S&P500 Index closed 2.4% higher, following the completion of a positive corporate reporting season and a relatively benign positive economic background. The European DJ Euro STOXX 50 Index fell 1.50%, on the back of political issues. The UK's FTSE 100 Index closed up 2.8%, as any concerns over Brexit were at least temporarily overshadowed by the uncertainty in Europe. Japan's TOPIX 100 index fell 1.7%. Emerging markets underperformed their developed counterparts, with the MSCI Emerging Markets Index closing the month down 2.2%, impacted by the strong US dollar, funding cost concerns and the potential impact of a sustained rise in the price of oil. (All figures quoted on a total return basis in local currency terms.)

## Outlook

Although economic fundamentals remain broadly positive for stocks, the potential for a US initiated trade war has created increased volatility and uncertainty. Despite elevated volatility, unless a trade war or other serious geopolitical situation eventuates we still expect shares to trend higher over the next 12 months, helped by the synchronised pickup in global economic activity data and the flow-through to growth and corporate earnings. The greatest near-term pressure is likely to come from political uncertainty in the Eurozone. Japanese and European equities continue to be our pick to see the better performance in this macro environment.

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