

# Specialist International Share

Quarterly Investment Option Update

30 September 2018

## Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the MSCI World (ex-Australia, ex-tobacco) Accumulation Index with net dividends reinvested on a rolling three-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)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Global shares	100
Cash	0

<b>Sector Allocation</b>	<b>(%)</b>
Information Technology	19.78
Consumer Discretionary	17.94
Health Care	14.55
Financials	13.20
Industrials	9.30
Energy	6.08
Consumer Staples	5.78
Cash	5.10
Materials	3.88
Real Estate	1.59
Utilities	1.40
Telecommunication Services	1.15
Others	0.26

<b>Region Allocation</b>	<b>(%)</b>
North America	59.54
Europe ex UK	14.29
Japan	8.45
Cash	5.26
Asia ex Japan	5.20
United Kingdom	5.08
Others	2.01
Australasia	0.17

## What Happened Last Period

- > Global shares, particularly those in developed markets, were up strongly in the September quarter.
- > The Fund posted a positive return and outperformed its benchmark over the period.
- > Unless trade war risks escalate significantly, we still expect shares to trend higher over the next 12 months.

## Fund Performance

The Fund posted a positive absolute return and outperformed its benchmark over the September quarter. All of the five underlying fund managers made positive returns, with Arrowstreet and Magellan outperforming their benchmarks, but with American Century, Orbis and Schroders underperforming their respective benchmarks. The Fund continues to outperform its benchmark over the longer term, including over 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation detracted from relative performance, with exposures to emerging markets such as China and South Africa having the most negative impact. In developed markets, an underweight allocation to the US also detracted from relative returns, as did the tactical cash position held by one of the underlying fund managers, particularly the US dollar cash balance. This was partially offset by positive contributions from underweight allocations to Germany and Canada, as well as an overweight allocation to Brazil.

Overall sector allocation contributed to relative performance, with strong contributions from overweight exposures to information technology and healthcare, and underweight exposures to real estate and utilities.

Stock selection made a positive contribution to relative performance during the period, with US stocks leading the pack. The largest individual contributions were from overweight positions in HCA Healthcare, Lowe's Companies and Visa. HCA Healthcare and Lowe's Companies rose strongly (+38.7% and +23.1% respectively) after announcing better-than-expected June quarter results. Visa rose (+15.8%) as reports showed that many developed markets continue to expand and enjoy higher consumer spending, which is likely to benefit the payment companies.

The largest single detractor from performance during the period was an underweight exposure to Apple. The company rallied (+24.8%) after announcing strong June quarter earnings, with services revenue growing 31% to an all-time high of \$9.55 billion. Other detractors were an underweight exposure to Amazon, which continued to climb (+20.3%) after announcing strong June quarter results, and an overweight exposure to Kraft Heinz, which fell (-9.8%) despite announcing improved June quarter results, as its costs are expected to increase.

## Outlook

Although economic fundamentals remain broadly positive for stocks, the potential for a US initiated trade war has increased, resulting in increased volatility and uncertainty. However, at this juncture, unless trade war risks escalate significantly, we still expect shares to trend higher over the next 12 months, helped by the expected continued pickup in global economic activity data outside the US and the flow-through to growth and corporate earnings. Although some election outcomes in the Eurozone have recently been decided, reducing uncertainty, there remain some unresolved tensions between member states which have impacted some European markets. Emerging market equities are likely to remain under pressure while the threat of a trade war remains and the US dollar remains strong. Japanese and individual European equities continue to be our pick to see the better performance on a valuation basis in the current global macro-environment.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0659AU
AMP Flexible Super - Retirement account	AMP1357AU
AMP Flexible Super - Super account	AMP1486AU
CustomSuper	AMP0659AU
Flexible Lifetime - Allocated Pension	AMP0606AU
Flexible Lifetime - Term Pension	AMP0929AU
Flexible Lifetime - Investments (Series 1)	AMP0855AU
Flexible Lifetime - Investments (Series 2)	AMP1421AU
SignatureSuper	AMP0803AU
SignatureSuper - Allocated Pension	AMP1159AU
SignatureSuper Select	AMP0803AU

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)



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