

Arrowstreet Global Equity

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

To achieve a long-term total return (before fees and expenses) that exceeds the MSCI All Country World ex-Australia Index, in Australian dollars unhedged with net dividends reinvested. The portfolio provides exposure to a diversified portfolio of global equities which may include securities listed in emerging markets as well as securities of small capitalisation companies. The option will not invest in 'tobacco' securities as defined by Global Industry Classification Standards (GICS) and 'controversial weapon' securities as defined by MSCI, Inc. The option is actively managed using a quantitative approach and stock selection modelling to evaluate securities on an integrated basis to exploit tactical opportunities across different factors with the aim of controlling risk relative to its benchmark and maximising the likelihood of outperforming its benchmark. Arrowstreet's stock selection models are designed to:

- understand what information is likely to impact stock prices and obtain the information to forecast individual stock returns by evaluating a stock's potential on the basis of a diverse set of direct and indirect effects, and
- identify particular signals or segments of the market that exhibit the greatest mispricing (or inefficiencies) at any point in time.

The option may use derivatives to manage currency risk arising from differences in the currency weights of the portfolio's investments compared to its benchmark. The portfolio's exposure to foreign currencies is not hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	7+ years
Relative risk rating	6/ High
Investment style	Core

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100.00	99.25
Cash	0.00	0.75

Regional Allocation	%
North America	50.31
Europe ex UK	19.27
Japan	13.73
Emerging markets	8.35
United Kingdom	6.09
Asia ex Japan	1.50

Sector Allocation	%
Information technology	24.22
Health care	19.93
Financials	12.81
Energy	12.22
Industrials	9.23
Consumer discretionary	6.22
Consumer staples	5.40
Materials	4.83
Utilities	1.94
Telecommunication Services	1.55
Real Estate	0.90

Top Holdings	%
Adobe Systems Inc	2.26
Visa Inc	2.16
Microsoft Corp	2.11
Mastercard Inc	2.03
Roche Holdings Ag	1.86
Abbvie Inc	1.64
Samsung Electronic	1.44
Eni Spa	1.43
Royal Dutch Shell	1.36
Home Depot Inc	1.33

Market Commentary

Equity market returns were mostly positive in the third quarter, with the exception of emerging markets. The threat of trade wars between global economic powers continued to dominate the news, though developed market stocks largely ignored the headline noise. The U.S., Mexico, and Canada reached a new trade agreement at the end of the quarter, and talks advanced between the U.S. and the European Union. On the other hand, in emerging markets trade concerns weighed heavily on equities and currencies, particularly in China where talks with the U.S. failed to progress and extensive tariffs went into effect. Stock market returns in North America once again outpaced other developed regions as second quarter corporate earnings generally topped estimates and economic data was strong. As expected, the U.S. Federal Reserve raised its benchmark interest rate in September for the third time in 2018. Monetary policy guidance from the Bank of Japan and the European Central Bank, however, struck a more dovish tone. In Europe, growth and inflation showed some signs of strength, but political anxieties related to Italy and Brexit tempered sentiment. A strong U.S. dollar remained a headwind for emerging market corporate earnings, and a currency crisis in Turkey, triggered by rapidly rising inflation, tensions with the U.S., and concerns about European bank exposure to Turkish assets, spread to other emerging currencies and equities.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1530AU
AMP Flexible Super - Retirement account	AMP1590AU
AMP Flexible Super - Super account	AMP1578AU
CustomSuper	AMP1530AU
Flexible Lifetime - Allocated Pension	AMP1542AU
SignatureSuper	AMP1554AU
SignatureSuper Allocated Pension	AMP1566AU

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