

Specialist Hedged International Share

Quarterly Investment Option Update

31 December 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 (hedged back to Australian dollars) on a rolling three-year basis, through investing in a diversified portfolio of international shares. This option aims to be fully hedged to Australian dollars. 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

Investment Option Overview

| | |
|---------------------------------------|---------------|
| Investment category | Global Shares |
| Suggested investment timeframe | 5 years |
| Relative risk rating | High |
| Investment style | Multi-Manager |

| Asset Allocation | Benchmark (%) |
|-------------------------|----------------------|
| Global shares | 100 |
| Cash | 0 |

| Actual Allocation | % |
|--------------------------|----------|
| Global shares | 103.99 |
| Cash | -3.99 |

| Region Allocation | % |
|--------------------------|----------|
| North America | 61.57 |
| Europe ex UK | 15.56 |
| Japan | 8.89 |
| Cash | 0.40 |
| Asia ex Japan | 6.06 |
| United Kingdom | 4.85 |
| Others | 1.92 |
| Australasia | 0.74 |

| Sector Allocation | % |
|----------------------------|----------|
| Information technology | 18.12 |
| Consumer discretionary | 12.06 |
| Health care | 16.48 |
| Financials | 14.33 |
| Industrials | 10.32 |
| Cash | 0.87 |
| Energy | 4.32 |
| Consumer staples | 5.56 |
| Materials | 3.38 |
| Real Estate | 1.86 |
| Utilities | 2.35 |
| Telecommunication services | 10.24 |
| Others | 0.11 |

Portfolio Summary

- Global shares fell heavily over the December quarter.
- The Fund posted a negative absolute return, but outperformed its benchmark.
- The US-China focussed trade war and tariff regime have increased global risks, resulting in elevated volatility and uncertainty.

Investment Option Commentary

The Fund posted a negative absolute return, but outperformed its benchmark over the quarter. All of the five underlying fund managers delivered negative returns, but four of them outperformed their benchmarks. Magellan significantly outperformed its benchmark, benefiting from its tactical cash position in US dollars. Arrowstreet, Schroders and America Century also outperformed, whereas Orbis underperformed. The Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation was the main contributor to relative performance over the period. Exposures to emerging markets such as China, South Korea and Brazil contributed positively, while in developed markets the underweight exposures to Canada and the US added value, but the underweight to Hong Kong detracted value.

Sector allocation was a modest contributor to relative performance. An underweight exposure to energy and an overweight exposure to healthcare contributed, while underweight exposures to utilities, consumer staples and real estate detracted.

Stock selection in US was a key contributor to relative performance. The largest individual contributions to relative performance were from an overweight position in Starbucks and underweight positions in Apple and Amazon.com. Starbucks jumped (+16.9%) after reporting better-than-expected results for the fourth quarter 2018. Apple and Amazon.com declined (-28.0% and -22.9% respectively) because both provided disappointing earnings guidance and investor sentiment towards the sector is negative.

The main detractors from relative performance were overweight exposures to XPO Logistics, Apache and Celgene. Trucking company, XPO Logistics fell (-48.7%) after announcing disappointing third quarter earnings and lower guidance for full-year earnings. Oil and gas explorer, Apache declined (-28.0%) along with the oil price and healthcare company, Celgene declined (-22.9%) as the risks associated with regulatory change increased.

The hedged exposure to the Australian dollar had a negative impact on returns, primarily because the currency depreciated against the US dollar during the quarter.

Outlook

The US-China focussed trade war and tariff regime have increased global risks, resulting in elevated volatility and uncertainty. However, there are global expectations for a positive outcome from the recently announced US-China tariff truce. In the meantime, global shares are likely to remain under pressure. European tensions remain high, particularly from Brexit uncertainty, Italian debt issues and French social dissension; all of which could add to short-term volatility. Emerging market shares remain under pressure, with a strong US dollar pushing up funding costs. Until the final extent of the recent equity sell-off is known, and the global political landscape stabilises, it is too early to accurately judge the immediate economic prospects as we head into 2019.

Availability

| Product name | APIR |
|--|-----------|
| AMP Flexible Lifetime Super | AMP0865AU |
| AMP Flexible Super - Retirement account | AMP1354AU |
| AMP Flexible Super - Super account | AMP1483AU |
| CustomSuper | AMP0865AU |
| Flexible Lifetime - Allocated Pension | AMP0876AU |
| Flexible Lifetime - Term Pension | AMP0926AU |
| Flexible Lifetime - Investments (Series 1) | AMP1006AU |
| Flexible Lifetime - Investments (Series 2) | AMP1418AU |
| SignatureSuper | AMP0953AU |
| SignatureSuper - Allocated Pension | AMP1156AU |
| SignatureSuper Select | AMP0953AU |

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

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



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