

Specialist International Share

Quarterly Investment Option Update

31 March 2019

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

Investment Option Overview

Investment category	Int'l Shares
Suggested investment timeframe	7 years
Relative risk rating	High
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International shares	100
Cash	0

Sector Allocation	%
Information Technology	18.98
Health Care	15.92
Financials	11.11
Consumer Discretionary	10.62
Industrials	10.29
Communication Services	8.58
Consumer Staples	6.68
Cash	4.84
Energy	5.04
Materials	3.61
Utilities	2.52
Real Estate	1.78
Others	0.02

Region Allocation	%
North America	57.13
Europe ex UK	14.46
Japan	7.71
Emerging Markets	8.68
Cash	4.82
UK	5.51
Pacific ex Japan	1.53
Others	0.16

Fund Performance

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.

Market Review

After heavy falls in the December quarter, global share markets posted extremely strong gains in the March quarter, the MSCI World ex Australia index finishing up by 12.66%. While markets around the globe remain optimistic on the back of reasonably good global economic growth, a somewhat dovish US Federal Reserve (Fed), improving US trade relationships, strong resource prices and Chinese economic stimulus, this is being balanced by some caution creeping in around an inverting US yield curve, softening (but still reasonable) US growth and relatively high price/earnings ratios - particularly in the US. Chinese shares were the clear standout over the period, as the CITIC300 index soared 27.63% on the back of positive trade talks with the US and stimulus measures introduced by the Chinese government. Most other major markets saw returns near or beyond double-digits for the period, as a wave of optimism seemed to make the falls of late 2019 a distant memory. Despite the markets' rise, broader risks to global growth have arguably not appreciably changed over the three months, leading many commentators to urge caution, after the strong price rises. Emerging markets were also strong over the period, the MSCI Emerging Markets index returning 9.84% as resource prices rose and the positive sentiment from developed markets spilled over, despite ongoing currency and debt issues that many developing economies continue to face. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Ongoing and unresolved US-China trade negotiations continue to impart uncertainty to the markets, with recent short-term swings between a risk-on and risk-off bias. Therefore, until some semblance of longer-term stability supports global markets, equities will likely remain susceptible to volatility, especially following the rally from falls at the end of 2018. The US Federal Reserve has also changed tack, indicating from recent communications that further interest rate rises will not occur until 2019 and that it will halt the shrinking of its balance sheet by September 2019. European tensions remain high, particularly from Brexit uncertainty and the fast approaching exit date. Eurozone GDP remains anaemic, and with the German economy approaching technical recessionary territory, the European Commission has revised growth estimates down and implemented stimulatory measures, with more likely to come. Asian data remains mixed, with both Japan and China continuing to be accommodative.

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

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