

Fidelity Global Equities

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To achieve returns in excess of the MSCI All Country World (ex-Australia) (ex-Tobacco) Index over the suggested minimum investment time period of five to seven years. The strategy takes a go-anywhere approach – it is managed with broad geographic and sector parameters to allow the portfolio manager to build a portfolio of the best opportunities uncovered by the investment manager's global research in core international investment. Fidelity believes that markets are semi-efficient and share prices don't always reflect inherent value. Through in-house, bottom-up company research, Fidelity aims to uncover the opportunities that it believes offer the greatest scope for outperformance. Based on this research approach, Fidelity seeks out shares that it believes are undervalued and likely to generate growth. The companies selected for the portfolio must demonstrate good management, strong competitive advantages and enjoy favourable industry dynamics. The option's exposure to international assets will not be 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 equities
Suggested Investment Timeframe:	5 to 7 years
Relative Risk Rating:	6 / High
Investment Style:	Core
Manager Style	Single

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	90-100	97.10
CASH & ONA	0-10	2.90

Regional Allocation	%
NORTH AMERICA	53.15
EUROPE EX UK	19.39
EMERGING MARKETS	9.31
UK	7.20
JAPAN	6.94
PACIFIC EX JAPAN	1.11
MIDDLE EAST	0.00
CASH & ONA	2.90

Sector Allocation	%
INFORMATION TECHNOLOGY	17.90
FINANCIALS	17.16
HEALTH CARE	12.18
COMMUNICATION SERVICES	9.90
INDUSTRIALS	8.69
ENERGY	7.69
CONSUMER DISCRETIONARY	6.55
MATERIALS	6.08
CONSUMER STAPLES	5.29
REAL ESTATE	3.61
UTILITIES	2.04
CASH & ONA	2.90

Top Holdings	%
MICROSOFT CORP	2.71
ALPHABET INC	2.11
VISA INC	1.87
MERCK & CO INC NEW	1.73
ROCHE HOLDING LTD	1.71
SAP SE	1.70
ROYAL DUTCH SHELL PLC	1.61
JPMORGAN CHASE & CO	1.55
ILLUMINA INC	1.53
BOSTON SCIENTIFIC CORP	1.52

Portfolio Summary

Your portfolio outperformed the index over a volatile second quarter.

IT holdings with solid fundamentals among top contributors

Robust quarterly earnings and outlook buoyed enterprise resource planning (ERP) application major SAP and government services provider Leidos. Shares in the former were also boosted by activist investor Elliott's stake purchase. The company enjoys a strong competitive position in an oligopolistic market with a very high renewal rate. Leidos' strong contract win record and backlog, as well as its robust bid pipeline are expected to result in more than average growth in the pure-play government services industry.

High conviction health care stocks added value

Innovative health care businesses with long runways for growth contributed to returns. Biotechnology business Illumina gained on positive news flow, including a new product launch and an infringement suit victory. Hearing aid major Sonova advanced on the back of strong quarterly results and robust full-year guidance. Its new platform gives it a strong competitive edge.

Certain real estate and consumer discretionary names detracted from returns

German residential property major Deutsche Wohnen came under pressure from civil protests against high rentals and a subsequent proposal by the Berlin senate to freeze rental increases in the city for five years. However, the company's longer term thesis remains intact, with a well-managed portfolio of residential assets (mostly in Berlin) accruing a low volatility rental stream. The UK-based online retailer Ocado gave up some gains from the past couple of years. The company is benefiting from a rapid shift of grocery shopping online and increasing uptake of its proprietary technology to international grocers such as Kroger.

Market Commentary

Re-escalation of trade tensions early in the quarter gave way to prospects for further progress on negotiations at the G20 summit, which kicked off on the last business day. A growing inclination on the part of major global central banks to ease monetary conditions also supported stocks. While stock selection in information technology (IT) and health care sectors added value, certain real estate and consumer discretionary holdings detracted from returns.

Outlook

Caution is warranted towards risk assets in the current late-cycle environment. Underlying fundamentals have not improved along with the rebound in markets, as risks in the global economy persist. The current market scenario appears to be one where investors need to tread cautiously in terms of portfolio construction, with greater emphasis on finding stocks that lose less, rather than gain more. At a regional level, increasing uncertainty over US trade policies can lead to the curtailment of business spending in the US. Hence, though economic expansion in the US has the potential to continue for now, growth is likely to be subdued. In Europe, Brexit-related uncertainty remains a cause for concern. Overall, I believe that the late cycle can be positive for risk assets. Though bargains are hard to come by, a volatile environment can create interesting dislocations and throw up attractive buying opportunities that have the potential to add value.

Availability

Product Name	APIR
AMP FLEXIBLE LIFETIME SUPER	AMP1291AU
AMP FLEXIBLE SUPER - RETIREMENT ACCOUNT	AMP1342AU
AMP FLEXIBLE SUPER - SUPER ACCOUNT	AMP1471AU
CUSTOMSUPER	AMP1291AU
FLEXIBLE LIFETIME - ALLOCATED PENSION	AMP1298AU
FLEXIBLE LIFETIME - TERM PENSION	AMP1638AU
FLEXIBLE LIFETIME INVESTMENT	AMP0846AU
FLEXIBLE LIFETIME INVESTMENT (SERIES 2)	AMP1432AU
SIGNATURESUPER	AMP1305AU
SIGNATURESUPER ALLOCATED PENSION	AMP1312AU

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267

Fax: 1300 301 267

Mail: Customer Service

PB BOX 300

Parramatta NSW 2124



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