

# Arrowstreet Global Equity

## Quarterly Investment Option Update

30 June 2022

### 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/performance](https://amp.com.au/performance)

### Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	7+ years
<b>Relative risk rating</b>	7/ Very High
<b>Investment style</b>	Core
<b>Manager Style</b>	Single Manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>	<b>Actual (%)</b>
Global Shares	n/a	95.59
Cash	n/a	4.41

<b>Sector Allocation</b>	<b>%</b>
Information Technology	20.06
Health Care	16.52
Financials	15.78
Energy	12.23
Consumer Discretionary	9.31
Communication Services	8.21
Industrials	4.78
Consumer Staples	4.23
Materials	3.84
Utilities	0.47
Real Estate	0.14

<b>Top Holdings</b>	<b>%</b>
Microsoft Corp.	6.08
Alphabet Inc.	4.96
UnitedHealth Group Inc.	3.49
TotalEnergies	2.34
Petrol Brasileiros	2.12
Berkshire Hathaway	1.90
PepsiCo Inc.	1.85
Apple Inc.	1.81
Royal Dutch Shell A	1.62
Merck & Co.	1.50

## Investment Option Summary

Relative to the Benchmark, Consumer Discretionary was the largest sector contributor to performance over the quarter, as a result of stock selection and underweight positioning in US Consumer Discretionary, while Energy was also a relative contributor, owing to overweight positioning in French Energy, UK Energy and Brazilian Energy. Utilities was the largest sector detractor on a relative basis, as a result of underweight positioning in US Utilities.

The US was the top country contributor on a relative basis, driven by stock selection and underweight positioning in both US IT and US Consumer Discretionary. Japan was the largest relative country detractor, owing to stock selection and overweight positioning in both Japanese IT and Japanese materials, and stock selection in Japanese Industrials.

Arrowstreet employs a quantitative benchmark-aware approach, dynamically taking overweight and underweight positions in countries, sectors, and individual stocks, with the aim of achieving long-term outperformance of its Benchmark. Arrowstreet's core investment style seeks to outperform during a broad range of market environments.

## Market Commentary

Equities fell substantially across regions and volatility increased in the second quarter of 2022, with April in particular seeing the largest market decline since March 2020. Inflation continued to rise and led to aggressive policy responses from central banks. The US Federal Reserve was among the more hawkish developed market central banks, raising rates twice during the quarter for a total of 125 basis points, and signalling more hikes to come. This, coupled with weak risk sentiment, pushed the US dollar higher, and interest rates rose substantially across the curve. In Europe, the ECB also turned more hawkish in attempt to control inflation, ending its asset purchase program and indicating a July start to rate hikes. One outlier, however, was the Bank of Japan which maintained its accommodative policy stance, sending the yen to historic lows versus the US dollar. Investors increasingly worried that tighter policy, and subsequently higher rates, aiming to control ballooning prices would lead to stagflation or recession, particularly as other economic data prints underwhelmed. Oil prices continued to rally due in large part to ongoing supply shortages resulting from the war between Russia and Ukraine. Additionally, early in the quarter, Covid restrictions in China weighed on broader demand expectations and industrial metals prices. Growth stocks sharply underperformed value as previously fast-growing technology and consumer companies missed earnings and warned about the impacts of inflation and slower growth. However, the market started to see some reprieve towards the end of the quarter as Covid restrictions in China eased and market participants hoped they were seeing peak inflation and peak central bank hawkishness.

## Availability

Product name	APIR
SignatureSuper*	AMP1554AU
SignatureSuper Allocated Pension*	AMP1566AU

\*Closed to new investors

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