

Specialist International Share

Quarterly Investment Option Update

30 September 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 for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0
Actual Allocation	%
International Shares	100.12

Sector Allocation	%
Information Technology	17.56
Consumer Discretionary	14.20
Financials	13.41
Health Care	13.18
Industrials	9.87
Communication Services	9.29
Consumer Staples	7.70
Utilities	3.74
Energy	3.34
Materials	3.30
Cash	2.52
Real Estate	1.89
Others	0.00

Top Holdings	%
Alphabet Inc	2.31
Visa Inc	2.20
Microsoft Corp	2.10
Facebook Inc	1.90
Mastercard Inc	1.63
Starbucks Corp	1.62
NetEase Inc	1.57
AbbVie Inc	1.40
Alibaba Group Holding Ltd	1.30
Novartis AG	1.23

Region Allocation	%
North America	56.36
Europe ex UK	14.84
Emerging Markets	10.40
Japan	7.73
UK	6.09
Cash	2.52
Pacific ex Japan	2.03
Others	0.03

Fund Performance

The Fund posted a positive absolute return and underperformed its benchmark (before fees) in the September quarter. In a volatile market, all of the Fund's five underlying managers posted positive returns, with Magellan the only manager outperforming its benchmark over the period. The Fund continues to outperform its benchmark over the longer term, including over 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation detracted from relative performance over the period. Exposures to emerging markets, particularly South Korea, Brazil and South Africa were the main detractors, while an exposure to Taiwan was the main positive contributor. In developed markets, an underweight exposure to the US was the main detractor, while an underweight exposure to Hong Kong was the main positive contributor.

Sector allocation contributed somewhat to relative performance. An underweight exposure to energy and overweight position in information technology drove relative returns, while underweight exposures to consumer staples and real estate were the main detractors.

Stock selection detracted from relative performance. The largest individual detractors were an underweight exposure to Apple and overweight positions in HCA Healthcare and SAP. Apple (+18%) rose after the company forecast robust sales growth from the new iPhone models. US hospital chain HCA Healthcare (-7%) fell after the company released its earnings report for Q2 2019 which fell short of investor expectations due to an unfavourable shift in the medical-surgical mix of operations. German multinational software company SAP (-11%) fell after the company reported lower margins and a decline in growth in new cloud bookings for the second quarter.

The largest individual contributors were an overweight position in XPO and underweight exposures to Amazon and Netflix. US transport company XPO Logistics (+29%) performed well following the company announcing its Q2 2019 results early in the period, which came in mixed however contained encouraging earnings performance which was better than levels expected by investors and strong free cash flow. US e-commerce giant Amazon (-5%) fell on the back of political criticism, macro-economic uncertainty and some market participants lowering their earnings estimates due to rising transport costs led by the expanding one-day delivery network. US streaming company Netflix (-24%) fell sharply after releasing earnings for Q2 2019 which was lower than expected.

Market Review

International shares climbed higher in the September quarter, with the MSCI World ex Australia index rising by 1.50% over the period. Markets started the quarter positively amid generally good US corporate earnings and hopes of a favourable US-China outcome. A pull-back then occurred in August and some volatility emerged as speculation rose in regard to the sustainability of global (and particularly US) growth. Mixed messages on monetary policy from the Fed also didn't help. Global markets then recovered to higher levels in September amid continued volatility. Drivers included central bank interest rate reductions and commentary (as the US Federal Reserve reduced the Federal Funds Rate range by a further 25 basis points to 1.75-2.0%), the drone strike in Saudi Arabia, as well as some small but positive US-China trade developments. Emerging markets however struggled during the quarter and underperformed their developed-market counterparts, with the MSCI Emerging Markets accumulation index finishing down by 2.07%. Geopolitical volatility, trade war fears and sovereign debt issues were all contributing factors. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Global share markets remain at risk of further weakness in the months ahead on the back of the ongoing US-China trade dispute, Middle East tensions, and mixed economic data as we are in a seasonally weak part of the year for shares.

However, valuations are reasonable, particularly when compared against low bond yields. Global growth indicators are expected to improve by next year and monetary and fiscal policy are becoming more supportive, all of which should support decent gains for share markets on a 6-12 month horizon.

During the current turbulent period, quality companies with solid defensive properties may present the best opportunities for risk-adjusted returns.

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 - Investments (Series 1)	AMP0855AU*
Flexible Lifetime - Investments (Series 2)	AMP1421AU
Flexible Lifetime - Term Pension	AMP0929AU
SignatureSuper	AMP0803AU
SignatureSuper - Allocated Pension	AMP1159AU
SignatureSuper Select	AMP0803AU

*Closed to new investors

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