Magellan Global

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

The primary objectives are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss. The investment option seeks to invest in companies that have sustainable competitive advantages, which translate into returns on capital in excess of their cost of capital for a sustained period of time. The investment manager endeavours to acquire these companies at discounts to their assessed intrinsic value. The portfolio primarily invests in the securities of companies listed on stock exchanges around the world, but will also have some exposure to cash. The portfolio can use foreign exchange contracts to facilitate settlement of stock purchases and to mitigate currency risk on specific investments within the portfolio. It is not the investment manager's intention to hedge the foreign currency exposure of the portfolio arising from investments in overseas markets.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Specialist
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	80-100	84.60%
Cash	0-20	15.40%

Regional Allocation	%
China	13.32%
France	1.11%
Germany	3.88%
Switzerland	7.65%
United Kingdom	4.65%
United States	54.00%
Cash	15.40%

Top Holdings	%
Microsoft Corp	8.11%
Tencent Holdings Ltd	6.68%
Alibaba Group Holding Ltd	6.63%
Alphabet Inc	6.00%
Facebook Inc-A	5.74%
Reckitt Benckiser Group	4.65%
Starbucks Corp	4.25%
Novartis AG	4.16%
Crown Castle International	3.97%
SAP SE	3.88%

Portfolio Summary

The portfolio recorded a positive return for the quarter.

Investment Option Commentary

The biggest contributors were the investments in Microsoft, Facebook and Tencent Holdings. Microsoft gained after the software giant reported that its thriving cloud and server businesses had boosted margins over the March quarter when revenue rose 15% to US$35 billion and operating income climbed 25% to US$13 billion. Facebook advanced after the social-media company said revenue rose a higher-than-expected 17% to US$18 billion in the March quarter as the number of daily active users of its sites jumped 11%. Tencent rose over a quarter during which it announced it will invest US$70 billion in digital infrastructure over the next five years in alignment with the Chinese government's desire for a digital infrastructure investment push to restart the economy.

The only detractor was the investment in Heineken, which fell as restrictions on gatherings from March battered sales.

Market Commentary

Global stocks rose for the fifth quarter in six as they staged their best quarterly performance in 11 years in the three months to June after an ebbing in coronavirus infection rates in developed countries allowed governments to ease restrictions on everyday life and policymakers provided more stimulus to help their battered economies. During the quarter, all 11 sectors rose in US-dollar terms. Information technology rose most (+31%) as IT companies reported robust earnings while utilities rose least (+6.2%). The Morgan Stanley Capital International World Index surged 19% in US dollars, its best performance since the June quarter of 2009, but gained only 6.1% in Australian currency as a rise in the Australian dollar reduced returns for unhedged investors.

US stocks posted their biggest quarterly gain in more than 21 years as prospects for an economic recovery rose after state authorities relaxed restrictions and federal policymakers provided stimulus. Stocks rose even as the US death toll from the covid-19 illness exceeded 125,000, a second wave of infection broke out in some states easing restrictions (and some even reimposed them). While one report showed the US economy shrank an annualised 5.0% during the March quarter when the restrictions had barely started, other indicators showed the worst might have passed. The S&P 500 Index rallied 20%, its biggest three-month gain since the last quarter of 1998.

European stocks climbed as countries reopened economies, the ECB boosted monetary stimulus and, on the fiscal side, France and Germany unveiled a 750-billion-euro bailout and debt-mutualisation package to help virus-hit EU economies though the incremental move towards fiscal union is still to be approved by the other 25 EU members. The package followed a shock decision by Germany’s constitutional court that the Bundesbank could not participate in the European Central Bank’s quantitative easing unless it could show the asset buying was “proportionate”, a task still incomplete at the end of June. The ECB increased its bond-buying program by 600 billion euros and extended it by six months to June 2021, to lift to 1.35 trillion euros the purchases promised by the ECB to help an economy ECB President Christine Lagarde said was suffering an “unprecedented contraction”.

Economic reports released during the quarter were grim. Eurozone output fell 3.6% in the first quarter, the biggest decline since the series began in 1995. The Euro Stoxx 50 Index added 16%.

Japan’s Nikkei 225 Index rallied 18% on hopes virus infection rates had peaked even as reports showed Japan’s economy contracted 3.4% annualised in the first quarter. China’s CSI 300 Index rose 13% even as the country’s leaders broke with precedent by abandoning their annual growth target for 2020, an outbreak of covid-19 occurred in Beijing and the US threatened Hong Kong’s special trading status in response to the new security law. Australia’s S&P/ASX 200 Accumulation Index surged 17% after authorities eased restrictions as infection rates dropped though outbreaks flared up again in Victoria in June. The MSCI Emerging Markets Index gained 19% in US dollars even as the virus took hold in Latin America, especially Brazil and Mexico, and India.

Outlook

The outlooks for the economy and equity markets remain uncertain. Key will be the pace of economic reopening and policymaker responses. Due to our cautious economic outlook and the risks confronting equities, the Fund Manager only reduced the cash position in the strategy from 17% to 15% over the June quarter.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1828AU
AMP Flexible Super - Retirement account	AMP1848AU
AMP Flexible Super - Super account	AMP1844AU
CustomSuper	AMP1828AU
Flexible Lifetime - Allocated Pension	AMP1832AU
Flexible Lifetime Investment (Series 2)	AMP2041AU
SignatureSuper	AMP1836AU
SignatureSuper Allocated Pension	AMP1840AU

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267