Specialist Hedged International Share

Quarterly Investment Option Update

31 March 2021

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 (hedged back to Australian dollars) on a rolling three-year basis, through investing in a diversified portfolio of international shares. This option aims to be fully hedged to Australian dollars. 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/performance

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	99.33
Cash	0.67

Sector Allocation	%
Information Technology	17.52
Consumer Discretionary	15.42
Communication Services	12.80
Financials	11.60
Industrials	9.84
Health Care	8.80
Consumer Staples	8.28
Materials	5.42
Energy	3.52
Cash	2.33
Utilities	1.98
Real Estate	1.82
Futures	0.68

Top Holdings	%
Alphabet Inc	2.62
Microsoft Corp	2.37
Facebook Inc	2.02
Amazon.com Inc	1.93
NetEase Inc	1.34
Visa Inc	1.29
XPO Logistics Inc	1.28
Alibaba Group Holding Ltd	1.21
PepsiCo Inc	1.17
Naspers Ltd	1.13

Region Allocation	%
North America	60.00
Europe ex UK	14.65
Asia ex Japan	8.00
Japan	7.82
United Kingdom	4.69
Cash	2.33
Others	1.85
Australasia	0.66

Fund Performance

The Fund posted a positive return to outperform its benchmark (before fees) in the March quarter. All of the Fund's five underlying managers posted positive returns, while three managers comfortably outperformed their respective benchmarks, led by Schroders and Arrowstreet. The Fund continues to outperform its benchmark over the long term, including over 5 years and since inception (annualised). (All returns are before fees.)

Country allocation contributed to relative performance during the period. Whilst the positioning in developed markets was broadly neutral overall, the emerging markets' exposure, specifically in South Africa and China, added most value.

From a sector perspective, allocation was broadly neutral overall for returns, with the underweight exposures to health care and information technology as well as the overweight to communication services offsetting the detraction from the underweight exposure to financials. Stock selection within information technology added considerable value during the period.

Stock selection was the primary driver of relative returns overall. The largest individual contributors were an underweight position in Apple and being overweight in Alphabet and Tencent Holdings.

US-based technology company Apple (-7%) retreated during the period along with many technology and growth stocks, as inflationary fears and rising bond yields triggered some market rotation.

Shares in Google's parent company Alphabet (+20%) rallied after reporting its surge in revenue for the December quarter that was driven by Search and YouTube advertising, which exceeded investor expectations.

Chinese online company Tencent (+9%) rose after a potential investment ban by the outgoing Trump administration failed to materialise.

The largest individual detractors were having nil holdings in JPMorgan Chase & Co and Exxon Mobil Corporation, as well as an overweight position in Vestas Wind Systems.

Financial services and investment banking company JPMorgan Chase & Co (+22%) rose on optimism for US economic recovery prospects, with fiscal stimulus being supportive of the bank's ability to utilise significant reserves which had been put aside during 2020 for potential bad loans.

US-based oil and gas company Exxon Mobil Corporation (+39%) rebounded as the company found support from higher oil prices during the period.

Shares in Danish wind turbine company Vestas Wind Systems (-12%) pulled back alongside many other defensive companies as investors rotated some of their exposures into more cyclical companies on the expectation of improving economic conditions.

The hedged exposure to the Australian dollar did not have a significant impact on returns, as the currency was relatively stable against the US dollar while being mixed compared to many other major currencies during the period.

Market Review

Global shares rose over the March quarter, with the MSCI World ex Australia index finishing up by 6.17%. The quarter saw one of the most significant style rotations seen in many years, as money flowed out of mega-cap growth and 'stay-at-home' stocks into long underappreciated, value-oriented stocks. This move was accompanied by a dramatic surge in bond yields, as global fixed interest markets continued to price in a sustained recovery in economic growth. Key drivers of the market's continued push higher included a resolution to the US election at the start of the year, which subsequently paved the way for further, massive levels of US fiscal stimulus, as well as the success of vaccine rollouts in the US and UK, which have unsurprisingly resulted in significantly improved virus numbers. Continued dovishness from central banks and global governments continuing to provide large amounts of further stimulus also stoked optimistic sentiment in equities markets. Volatility however increased in the latter part of the quarter, as fears remained around bond yields continuing to rapidly climb. Worries also increased around vaccine efficacy against newer strains of COVID-19, as well as around some apparent roll-out difficulties in a number of countries, including Australia. (All indices are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

With valuations remaining stretched in many areas, and upward pressure on bond yields and inflationary concerns as further stimulus packages are rolled out, the medium-term outlook for international equities remains difficult to predict. Elevated volatility is likely to remain. Following America's most recent US$1.9 trillion plan, the market awaits more in-depth details of the Biden administration's infrastructure plan and how this will impact policies, tax codes, and corporate America in general. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations factor in perfection. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge post the COVID-19 vaccine implementation with gained market share. Governments generally continue to implement supportive monetary and, to an increasing extent, fiscal programmes to ease shorter-term economic stress. The hope is that post vaccine rollout, economies will be resilient enough to return to growth relatively quickly. However, recently there have been signs of further waves of pandemic breakouts with different strains, which will add to uncertainty. Despite uncertainty in the shorter term, we believe the longer-term market trend will remain to the upside.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1354AU
AMP Flexible Super - Super	AMP1483AU
CustomSuper	AMP0865AU
Flexible Lifetime - Allocated Pension	AMP0876AU
Flexible Lifetime - Investments (Series 1)	AMP1006AU**
Flexible Lifetime - Investments (Series 2)	AMP1418AU**
Flexible Lifetime - Super	AMP0865AU
Flexible Lifetime - Term Pension	AMP0926AU
SignatureSuper	AMP0953AU
SignatureSuper - Allocated Pension	AMP1156AU
SignatureSuper Select	AMP0953AU

**Closed to new and existing investors

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