Specialist Hedged International Share

Quarterly Investment Option Update

30 September 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	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	100.78

Sector Allocation	%
Information Technology	20.73
Consumer Discretionary	13.59
Financials	13.35
Communication Services	10.95
Industrials	10.34
Health Care	9.67
Consumer Staples	7.53
Materials	5.09
Energy	3.26
Utilities	1.80
Real Estate	1.75
Cash	1.20
Futures	0.74

Top Holdings	%
Microsoft Corp	3.93
Alphabet Inc	2.96
Meta Platforms Inc	1.78
Amazon.com Inc	1.43
Netflix Inc	1.27
Visa Inc	1.25
Starbucks Corp	1.09
ASML Holding NV	1.08
Procter & Gamble Co/The	1.07
Alibaba Group Holding Ltd	1.04

Region Allocation	%
North America	61.39
Europe ex UK	15.36
Japan	8.08
Asia ex Japan	6.70
United Kingdom	5.08
Others	1.55
Cash	1.20
Australasia	0.64

Fund Performance

The Fund posted a positive return but underperformed its benchmark over the September quarter. Led by American Century and Arrowstreet, all of the Fund's five underlying managers gained ground, but none outperformed their respective benchmarks. The Fund continues to outperform its benchmark over the long term, including since inception (annualised). (All returns are before fees.)

Country allocation detracted from relative returns over the period. Within developed markets, the main positive contributors were underweight exposures to Canada and Germany, and an overweight exposure to Japan. These were offset by the main detractors which were an overweight exposure to Australia and an underweight exposure to the US. The Fund's exposures to emerging markets, in particular China and South Africa, dragged on relative returns.

Sector allocation detracted modestly from relative returns, primarily due to overweight exposures to materials and consumer discretionary, and an underweight exposure to information technology.

Stock selection also detracted from relative returns, particularly positions in consumer discretionary, information technology and communication services stocks, while positions in energy stocks contributed positively.

The largest individual detractors were overweight positions in Alibaba Group, NetEase and Naspers. Chinese internet behemoth Alibaba Group, continued to fall (-32.2%) amid a regulatory crackdown by Chinese authorities on the technology sector. This also put pressure on Chinese online gaming company NetEase, which fell (-22.8%) and South African e-commerce group Naspers, which declined (-18.0%), due to its impact on the company's stake in Chinese internet behemoth Tencent Holdings.

The largest individual contributors were overweight positions in Netflix and Eni SpA, and an underweight position in Amazon.com. US streaming and content service provider Netflix ralied (+20.1%) after some of its new titles proved popular, and in anticipation of the release of new seasons of popular shows that had been delayed due to covid-19. Italian oil and gas company Eni SpA gained (+17.7%) as grude oil process surged. Meanwhile US ecommerce giant Amazon.com waned (-0.8%) after the company announced Q2 2021 results which included disappointing sales that may point to vaccinated consumers becoming less reliant on online shopping.

The hedged exposure to the Australian dollar had a negative impact on returns, primarily due to the currency's depreciation compared to many major currencies over the period.

Market Review

International shares posted another quarter of gains, rising by 0.58% as measured by the MSCI World ex Australia index during the September quarter. Through July and August, markets remained buoyant driven by global reopening and the ongoing recovery. Economic and corporate fundamentals continued remained solid, particularly in the US, where earnings generally surprised on the upside through the 6-monthly reporting season and strong US employment data was released. As the quarter drew on into September however, a marked turn in sentiment was evident, emanating from a combination of factors including inflation concerns, volatile commodity prices reflecting slowing Chinese demand for steel, and global supply issues creating turbulence for energy resource prices. Adding further to the bearish turn in sentiment were solvency concerns with a major Chinese property developer, China Evergrande Group, and the perceived threat of an international spill-over. Emerging markets meanwhile fell by 6.69%, as measured by the MSCI Emerging Markets index, underperforming developed markets amid concerns around Chinese economic growth and regulatory risks, volatile commodity prices, vaccination challenges and further inflation concerns. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The economic backdrop remains complicated. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, the US Federal Reserve's timeline for tapering and stretched valuations in some areas, continue to muddy the market's interpretation of future events, with a fluid risk on/risk off bias. Thus, the medium-term outlook for international equities remains difficult to predict. The environment is further complicated by some supply-demand mismatches, where it is difficult to ascertain with any degree of certainty what will be shorter-term and what will prove to be more secular in nature. Likely tax hikes from the Biden administration will also impact US earnings.

With changing consumer dynamics, many companies will likely face challenging conditions for some time yet, while stronger businesses are likely to emerge post the COVID-19 vaccine implementation with gained market share. Despite some inflationary concerns, governments generally continue to implement supportive monetary and fiscal programmes to ease shorter-term economic stress. The hope is that post the vaccine rollout, economies will be resilient enough to return to sustainable growth relatively quickly. Although the shorter-term environment remains uncertain, we believe the longer-term trend will remain to the upside. Investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the longer-term.

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

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