Specialist Hedged International Share

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the MSCI World (ex-Australia, ex-tobacco) Accumulation Index with net dividends reinvested (100% hedged to Australian dollars) on a rolling 3-year basis. It uses a multi-manager approach that offers investors with exposure to different underlying investment strategies focused on international shares (excluding Australia). In certain market conditions, the portfolio may hold a higher level of cash than the 10% limit.Note: A currency hedged strategy attempts to reduce the impact of movements in the Australian dollar, relative to other currencies where the portfolio holds exposure, to smooth net performance.

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	7 / Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	96.83
Cash	3.17

Sector Allocation	%
Information Technology	16.46
Financials	14.52
Health Care	13.85
Energy	10.01
Industrials	9.26
Consumer Discretionary	8.06
Consumer Staples	6.81
Communication Services	6.76
Materials	6.57
Cash	4.57
Utilities	1.74
Real Estate	1.25
Futures	0.14

Top Holdings	%
MICROSOFT CORP	3.24
ALPHABET INC	2.79
UNITEDHEALTH GROUP INC	2.10
JOHNSON & JOHNSON	1.48
ASTRAZENECA PLC	1.27
Eni SpA	1.02
ASML HOLDING NV	1.00
Berkshire Hathaway Inc	0.94
WALMART INC	0.92
EXXON MOBIL CORPORATION	0.86

Region Allocation	%
North America	57.90
Europe ex UK	14.93
United Kingdom	7.69
Japan	6.50
Asia ex Japan	5.31
Cash	4.54
Others	2.51
Australasia	0.62

Fund Performance

The Fund posted a negative return and underperformed its benchmark during the March quarter. In a declining market, the Fund's underlying managers lost ground, however Schroders and Arrowstreet outperforming 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 overall from relative returns over the period, due to the Fund's exposures to emerging markets. Within developed markets, the main positive contributors were an overweight exposure to Australia and an underweight position in Germany, whereas the main detractors were an underweight exposure to Canada and overweight position in the Netherlands. Emerging markets positions, primarily the small holdings in Russia saw heavy falls, more than offsetting the strong returns from holdings in Brazil. The Fund's cash position, which is held mainly in US dollars, added value as markets retreated.

Sector allocation added value overall to relative returns with most positions contributing, with an overweight exposure to energy the key driver. Conversely, the underweight exposures to health care and utilities were the main detractors.

Stock selection detracted overall from relative returns, particularly positions in energy, communication services and financials stocks, while positions in materials and information technology stocks outperformed the most.

The Fund had a small exposure (0.25%) to Russian company Sberbank Russia and Yandex, which detracted from returns. The value of these companies was subsequently written down to zero in March 2022 after these companies' share prices plunged alongside other Russian stocks as the Russian incursion into Ukraine prompted sanctions that are likely to significantly impact Russia's economy. Elsewehere, shares in the streaming service Netflix (-40%) plummeted after it revealed it expected near-term subscriber growth to slow and profit margins to narrow. US-based oil and gas company Exxon Mobil Corporation (+32%), where the Fund has a nil position, saw its shares soar following the company confirming better than expected quarterly results, with profit rebounding after steep losses experienced after the COVID-19 pandemic. The share price was also bolstered when the company initiated a stock buyback and as oil prices hit multi-year highs.

The largest individual stock contributors were the overweight positions in Berkshire Hathaway and INPEX Corporation and an underweight exposure to Home Depot.

Shares in US-based conglomerate Berkshire Hathaway (+14%) - led by investor Warren Buffett – rose following the release of strong quarterly results, with investments in oil producers and some other stock holdings such as Apple supporting a jump in operating earnings. Japanese oil and gas exploration and production company INPEX Corporation (+33%) was buoyed alongside other energy sector peers as energy prices rose stronly following Russia's invasion of Ukraine. US-based home improvement retail company Home Depot (-30%) fell after the company reported its latest quarterly performance which was weaker than expected by investors, with profitability suffering amid higher costs and concerns about the impacts of inflation on consumers dampening sentiment.

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

Late in the quarter, we also made a change to the Fund's underlying investment managers, terminating Magellan and appointing GQG Partners. GQG Partners employ a fundamental strategy that seeks to invest in quality companies with ongoing competitive advantage generating sustainable future earnings, that are trading below their intrinsic value.

Market Review

Global share markets fell by 4.75% in the March quarter, as measured by the MSCI World ex Australia index. Major drivers were increased inflation levels around the globe and the growing belief that central banks, particularly in developed economies, may have fallen considerably behind the ball in normalising interest rates, thus further exacerbating inflation. Russia's unprovoked invasion of Ukraine in late February added to share price falls. Beyond the horrible human cost, the war has further inflamed already-significant global supply chain issues and commodity price volatility. Unsurprisingly, European shares were weak over the quarter, particular in countries that are more reliant on Russian energy exports. Countering this pessimistic backdrop however, much of the global economy continues to grow, corporate earnings are generally solid - particularly in the US - and COVID-19 restrictions, in many countries, have become a thing of the past (with the notable exception of China). Emerging markets also fell over the period, with the MSCI Emerging Markets index closing the quarter down by 6.1%. Emerging markets were impacted by similar fears as developed markets. Chinese stocks particularly struggled over the period, as the nation's COVID-zero policies resulted in further mass-scale lockdowns which, along with ongoing regulatory concerns, contributed to heavy falls. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Prevailing high inflation rates remain a prime market concern, particularly when taken into account with record debt -levels across the globe presenting difficulties as central banks begin to raise interest rates. Meanwhile, corporate earnings remain reasonably strong and growing, as companies continue to move ahead from the 2020 COVID downturn. Russia's war on Ukraine is also likely to produce further volatility in the near-term as the conflict plays out. Supply-demand mismatches remain and, in some areas, have been exacerbated by the war. Likely tax hikes from the Biden administration are a further issue on the horizon which will impact earnings. Businesses with a strong competitive advantage, which tend to have power to raise prices, should do relatively well in an inflationary environment. As more central banks initiate rate rises in the coming months, this may actually ease, rather than add to market uncertainty. We continue to believe the longer-term trend will remain to the upside, and that 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
Flexible Lifetime - Investments (Series 1)	AMP1006AU**
Flexible Lifetime - Investments (Series 2)	AMP1418AU**

**Closed to new and existing investors

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