

# Specialist Hedged International Share

Quarterly Investment Option Update

31 December 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 this product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Global Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Standard Risk Measure</b>	7/Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Global shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
Global Shares	99.70
Cash	0.30

<b>Sector Allocation</b>	<b>%</b>
Information Technology	16.35
Health Care	16.08
Financials	16.01
Energy	12.80
Industrials	9.05
Consumer Discretionary	8.33
Materials	5.69
Consumer Staples	5.63
Communication Services	4.39
Utilities	3.02
Real Estate	1.21
Cash	1.15
Futures	0.29

<b>Top Holdings</b>	<b>%</b>
MICROSOFT CORP	2.70
UNITEDHEALTH GROUP INC	2.16
Alphabet Inc	1.81
AstraZeneca PLC	1.63
Shell PLC	1.59
EXXON MOBIL CORPORATION	1.31
HDFC Bank Ltd	1.22
Glencore PLC	1.20
TotalEnergies SE	1.10
Novo Nordisk A/S	0.98

Region Allocation	%
North America	59.60
Europe ex UK	15.66
United Kingdom	8.21
Asia ex Japan	6.31
Japan	6.30
Others	2.26
Cash	1.15
Australasia	0.52

## Fund Performance

The Fund posted a strong positive return and comfortably outperformed its benchmark during December quarter. All of the Fund's five underlying managers gained ground, with American Century the only manager to underperform its benchmark. In what was a tough year for markets, while the Fund lost ground it outperformed its benchmark.

At a country level, active allocation held back performance on a relative basis. Holdings in Brazil detracted most, while within developed markets, the underweight position in Germany was the main detractor. On the flipside, the overweight position in the UK was a strong contributor, with an underweight position in the US also supportive.

Sector allocation also added value. Being overweight to energy and underweight to consumer discretionary were the main contributors, whereas the overweight position in industrials detracted. Stock selection was also a contributor to relative returns, particularly positions in IT and consumer discretionary stocks, while positions in industrials and energy stocks detracted most.

The largest individual stock contributors were having a nil position in Tesla and underweight exposures to Apple and Amazon.com. US-based automaker and energy storage company Tesla (-56%) fell heavily amid fears high inflation may reduce demand for its electric vehicles as well as potential impacts of China's COVID-19 lockdown on EV production and Elon Musk possibly reducing his shareholding to compensate for Twitter losses. Shares in US-based technology company Apple (-11%) and online retailer and cloud services provider Amazon.com (-30%) also suffered on the back of falling economic growth expectations as these types of stocks saw their premium share prices pull back.

The largest individual stock detractors were overweight positions in Petroleo Brasileiro, Global Payments Inc and Itau Unibanco Holding. Shares in state-owned Brazilian oil producer Petroleo Brasileiro (-9%) and financials services provider Itau Unibanco Holding (-12%) fell amid heightened market concerns relating to the potential for political unrest surrounding Brazil's presidential election results. US-based financial payments tech company Global Payments Inc (-13%) also lost ground despite declaring record results for the September quarter, as lower economic growth expectations dampened investor sentiment.

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

## Market Review

International sharemarkets rose over the December quarter, with volatility remaining elevated, as was the case through most of the calendar year. Shares made strong gains through October and November as markets began to factor in inflation showing signs of peaking and central banks accordingly toning back their hawkish commentary. December however saw shares pull back, amid a realisation that rates may still be higher for longer in order to keep inflation under control. Economic data, largely unsurprisingly, also became increasingly indicative of potential recessionary conditions ahead, though this is not guaranteed; and, for long-term investors, perhaps not materially important. Interestingly, shares continued to show a propensity to rise on negative economic data surprises and fall on positives, highlighting the dominant role of the potential interest rate path in influencing short-term trading. The MSCI World ex Australia index finished the period up by 7.4% in local currency terms, or 3.9% in Australian dollar terms, given strength in the domestic currency through the quarter. Emerging markets were also strong over the

period, returning 6.6%, with particular strength notable in Chinese, Korean and Taiwanese markets. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

As central banks continue to raise interest rates, markets appear to have factored in a strong likelihood of recession. Corporate earnings are facing headwinds, with increased costs eating into margins often reflected by downwards revisions to earnings estimates. Meanwhile, the continued push in the west away from traditional energy sources, such as oil and coal, is likely to continue to drive uncertainty in energy markets. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. Share price volatility tends to create stronger investment opportunities and we believe investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well in the long-term.

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## 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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