Specialist Hedged International Share

Quarterly Investment Option Update

30 June 2023

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

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	97.57
Cash	2.43

Sector Allocation	%
Information Technology	21.17
Financials	18.07
Health Care	12.85
Consumer Discretionary	10.34
Industrials	8.93
Communication Services	7.64
Energy	7.37
Cash	3.85
Consumer Staples	3.74
Materials	3.02
Utilities	1.35
Real Estate	1.19
Futures	0.49

Top Holdings	%
Microsoft Corp	4.20
Alphabet Inc	3.17
APPLE INC	2.79
Meta Platforms Inc	2.62
UNITEDHEALTH GROUP INC	1.86
AstraZeneca PLC	1.64
Amazon.com Inc	1.57
NVIDIA Corp	1.48
Novo Nordisk A/S	1.23
Visa Inc	1.17

Region Allocation	%
North America	59.29
Europe ex UK	14.00
Japan	8.13
United Kingdom	6.65
Asia ex Japan	6.01
Cash	3.83
Others	1.85
Australasia	0.23

Fund Performance

The Fund posted another strong positive return during the June quarter however marginally underperformed its benchmark. The Fund's five underlying managers gained ground, with three also outperforming their benchmarks led by GQG and Orbis.

At a country level, active allocation held back performance on a relative basis. Holdings in China detracted most, while within developed markets, the underweight positions in the UK and US were the main detractors. On the positive side, the holdings in Brazil and Taiwan were the strongest contributors.

Sector allocation also detracted from relative Fund returns. An overweight to energy and underweight to IT detracted most, outweighing the contribution from the underweights to consumer staples and utilities. Stock selection however contributed to Fund performance, particularly positions in energy and industrials stocks, while positions in consumer discretionary and IT were the main detractors.

The largest individual stock contributors were overweight holdings in Petroleo Brasileiro, XPO and Meta Platforms. Brazilian oil and gas company Petroleo Brasileiro (+54%) rebounded as concerns eased about governance and pricing policies. US trucking transport company XPO (+85%) soared on rumours that a major competitor was at risk of bankruptcy and on news that the company had hired a highly regarded executive from a competitor as its new chief operating officer. Technology conglomerate Meta Platforms (+36%) rose strongly alongside peers Alphabet and Microsoft when they reported stronger revenue growth and on hopes lower inflation would underpin digital advertising recovery.

The largest individual stock detractors were underweight exposures to Apple and NVIDIA Corporation and having a nil position in Tesla. Shares in US-based technology company Apple (+18%) rose after reporting its latest quarterly results which included record revenues for its iPhone sales. Specialist technology company NVIDIA (+53%) continued to soar alongside other AI stocks and after confirming better than expected earnings and forecasts from its chips which power artificial intelligence services. US-based electric vehicle and energy storage company Tesla (+26%) rose further after announcing it would commence online advertising to help support its dominant market share.

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

Market Review

The June quarter proved to be another strong one for international shares, with markets finishing the period up 7.3%, as measured by the MSCI World ex Australia index, in local currency terms. Technology and growth-focussed stocks dominated, with some of these stocks approaching somewhat extreme-looking earnings multiples. The main driver of the rally was the overarching theme of central banks looking to slow or pause their rate-hikes as inflation, while still high, continued to fall. A clear tightening bias however remained. Economic data continued to be indicative of likely recessionary conditions ahead, though showed some resilience relative to investor expectations, particularly in the US. Meanwhile, the March US earnings season was generally reasonable, with more companies surprising on the upside than the downside, despite continuing to flag difficult conditions ahead in outlook statements.

Emerging markets meanwhile again underperformed their developed peers, returning 1.7% for the period amid weakening Chinese trade and manufacturing data. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

After around a year of raising interest rates, some central banks have slowed or paused their hikes, despite maintaining a tightening bias, on the back of significantly decreased (though still high) levels of inflation. Economic growth has also slowed, with some economies already falling into recession. For long-term investors however, recession generally shouldn't be a concern, as this is part of the normal economic cycle. While the corporate environment may toughen further, stronger businesses will likely emerge with increased market dominance. Furthermore, share prices tend to lead the economic cycle, rather than be synchronised to it. We believe a diverse basket of businesses bought at reasonable prices, particularly those with strong competitive advantage that generate high amounts of cash from their shareholders' capital, will serve investors well over the long-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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