

# Arrowstreet Global Equity

Quarterly Investment Option Update

30 June 2019

## Aim and Strategy

To achieve a long-term total return (before fees and expenses) that exceeds the MSCI All Country World ex-Australia Index, in Australian dollars unhedged with net dividends reinvested. The portfolio provides exposure to a diversified portfolio of global equities which may include securities listed in emerging markets as well as securities of small capitalisation companies. The option will not invest in 'tobacco' securities as defined by Global Industry Classification Standards (GICS) and 'controversial weapon' securities as defined by MSCI, Inc. The option is actively managed using a quantitative approach and stock selection modelling to evaluate securities on an integrated basis to exploit tactical opportunities across different factors with the aim of controlling risk relative to its benchmark and maximising the likelihood of outperforming its benchmark. Arrowstreet's stock selection models are designed to:

- understand what information is likely to impact stock prices and obtain the information to forecast individual stock returns by evaluating a stock's potential on the basis of a diverse set of direct and indirect effects, and
- identify particular signals or segments of the market that exhibit the greatest mispricing (or inefficiencies) at any point in time.

The option may use derivatives to manage currency risk arising from differences in the currency weights of the portfolio's investments compared to its benchmark. The portfolio's exposure to foreign currencies is not hedged back to Australian dollars.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Global Shares
<b>Suggested investment timeframe</b>	7+ years
<b>Relative risk rating</b>	6/ High
<b>Investment style</b>	Core
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global	100.00	97.92
Cash Cash	0.00	2.08

Regional Allocation	%
North America	47.84
Europe ex UK	24.49
Japan	6.31
Emerging markets	9.9
United Kingdom	5.72
Asia ex Japan	3.62

Sector Allocation	%
Information technology	24.13
Financials	15.25
Health care	14.56
Consumer discretionary	10.39
Industrials	8.68
Utilities	5.23
Consumer staples	5.10
Communication services	4.99
Materials	4.91
Energy	3.77
Real estate	0.90

Top Holdings	%
Visa Inc.	2.34
Mastercard Inc.	2.29
Roche Holdings	2.19
Sap SE	1.61
Unilever	1.54
Rio Tinto	1.51
Merck & Co.	1.47
Intl Business Machines Corp.	1.39
Samsung Electronics	1.33
Starbucks Corp.	1.26

## Market Commentary

Dovish central bank activity around the globe supported equity markets in the second quarter of 2019. Most regions traded higher, particularly in June amid accommodative monetary policy from the US Federal Reserve, the European Central Bank, and a number of other central banks. Nevertheless, the shaky macroeconomic backdrop persisted. Trade tensions continued to boil between the US and a number of major partners, and economic data disappointed. The US imposed additional tariffs on Chinese goods in early May and threatened new tariffs on Mexican goods in late May as a penalty for failing to curb illegal immigration. Trade sentiment improved towards the end of the quarter, however, ahead of a meeting between the US and China at the G20 summit at the end of June.

Economic growth indicators in the Eurozone and in emerging markets, particularly those related to manufacturing, continued to miss expectations, and jobs and hourly earnings data in the US showed cracks. Easy monetary policy, weak growth, and trade concerns pushed developed market bond yields to historic lows, and in the US led to yield curve inversion. Brexit drama, which calmed during the second quarter after negotiators in the EU and the UK agreed to extend the Brexit deadline to late October, is set to rise again as the goals and policies of Theresa May's forthcoming successor are digested by the market.

Energy was the worst performing sector for the quarter with weaker crude oil prices, despite rallying in June given elevated geopolitical risks related to Iran. Health Care underperformed on concerns about the adverse effects of potential US policy reform after the 2020 presidential elections. Other defensive sectors such as Real Estate also lagged. Conversely, Financials rallied as loan growth has been exceeding expectations and the impact of low net interest margins has been better than feared. High momentum sectors like Information Technology outperformed as well.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1530AU
AMP Flexible Super - Retirement account	AMP1590AU
AMP Flexible Super - Super account	AMP1578AU
CustomSuper	AMP1530AU
Flexible Lifetime - Allocated Pension	AMP1542AU
SignatureSuper	AMP1554AU
SignatureSuper Allocated Pension	AMP1566AU

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