

Schroder Global Active Value

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

The option is an index unconstrained global equity strategy that aims to generate long-term returns before fees in excess of traditional capitalisation weighted global equity indices by investing in a diversified portfolio of equity and equity related securities of companies worldwide excluding Australia using a Value based investment strategy. Returns provide diversification benefits to typical global equity benchmarks and other global equity managers. Currency exposure is typically unhedged, however currency derivatives may be used with equity index futures in managing cash flows or to manage active currency positions relative to global equity indices for risk management purposes.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	99.4%
Cash	0%	0.6%

Regional Allocation	%
North America	39.6
Continental Europe	18.8
Emerging Markets	16.4
Japan	13.1
United Kingdom	8.2
Pacific ex Japan	3.2
Cash	0.7

Sector Allocation	%
Health Care	14.0
Industrials	13.4
Banks	13.2
Information Technology	11.0
Consumer Discretionary	10.8
Energy	9.7
Insurance & Asset Manager	8.1
Communication Services	6.5
Materials	6.3
Real Estate	3.2
Consumer Staples	2.4
Utilities	0.7
Cash	0.7

Top Holdings	%
Amgen	1.12
Glaxosmithkline	1.08
Roche	1.08
Pfizer	1.05
Royal Dutch Shell	1.04
Bristol-Myers Squibb	1.01
IBM	1.00
Ntt Docomo	1.00
Intel	0.97
Quest Diagnostics	0.97

Portfolio Summary

- Performance headwinds were predominantly driven by our high quality positions within health care (US pharmaceuticals in particular), financials and global-trade exposed companies across energy, autos, consumer durables, technology hardware and semiconductors.
- This was partly offset by good stock selection within communication services, in particular positive contributions from holdings in Japanese telecoms.

Investment Option Commentary

The Global Value strategy lagged behind its reference indices during the second quarter. In a period where investors were concerned about a cyclical downturn, the market's preference narrowed to two highly prized characteristics, Growth and Defensive Quality, both of which are unattractively valued. Against this backdrop, holding affordably priced quality was not rewarded. Performance headwinds were predominantly driven by the investment manager's high quality positions within health care (US pharmaceuticals in particular), financials and global-trade exposed companies across energy, autos, consumer durables, technology hardware and semiconductors. More broadly, the technology sector was the main detractor overall – not holding Microsoft and faster growing companies in payment-technology was a significant headwind given the strong performance of these not cheap companies during the period. This was partly offset by good stock selection within communication services, in particular positive contributions from holdings in Japanese telecoms.

Market Commentary

Global equities continued to advance during the second quarter, although not without considerable volatility. Investors took encouragement that a run of soft economic data would be addressed by more accommodative central banks, most notably in the US where the Federal Reserve is now widely expected to cut interest rates in the near future. The ebb and flow of tensions between the US and China on trade and access to technology companies were the primary source of the large swings in market sentiment, particularly during May when markets retreated sharply. The MSCI All Country World Index reversed those losses in June to end the quarter up 3.6% in USD terms, taking its year-to-date gains to more than 16%.

The best performing sectors were technology (hardware, semiconductors) and materials whilst the laggards were more defensively orientated, such as healthcare, utilities and staples. There were signs of dispersion among the popular "growth" stocks, with Facebook, Microsoft and Amazon performing well whilst Alphabet, Apple and cyclical stocks such as Nvidia fell behind. Nevertheless, it was clear that Growth was still in vogue as the MSCI ACWI Growth Index outperformed its Value counterpart by 2.6% in USD terms over the quarter.

Regionally, the US continued to lead, albeit by a lesser extent than has been the case of late, whilst emerging markets underperformed, dragged down by Asian markets, China in particular, due to a re-escalation in the US-China trade-spat. The UK market was also weak, largely due to a decline in sterling as fears of no-deal BREXIT mounted.

The other notable theme during the quarter was the dramatic reduction in bond yields, once again fuelled by expectations of policy easing and weaker than expected inflation data in the US. Oil prices were also volatile but were down sharply over the quarter as fears of a slowdown in global demand more than offset supply reductions.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0859AU
AMP Flexible Super - Retirement account	AMP1337AU
AMP Flexible Super - Super account	AMP1466AU
CustomSuper	AMP0859AU
Flexible Lifetime - Allocated Pension	AMP0872AU
Flexible Lifetime - Term Pension	AMP0912AU
Flexible Lifetime Investment	AMP0844AU
Flexible Lifetime Investment (Series 2)	AMP1402AU
SignatureSuper	AMP0967AU
SignatureSuper Allocated Pension	AMP1141AU

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