

Specialist Hedged International Share

Quarterly Investment Option Update

31 December 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	%
Global Shares	97.19
Cash	2.81

Sector Allocation	%
Information Technology	23.17
Financials	19.34
Health Care	10.44
Consumer Discretionary	9.56
Industrials	9.34
Communication Services	8.62
Energy	7.94
Cash	3.94
Materials	2.27
Consumer Staples	2.20
Utilities	1.90
Real Estate	1.11
Futures	0.16

Top Holdings	%
Microsoft Corp	4.93
Alphabet Inc	3.39
APPLE INC	3.03
Meta Platforms Inc	2.81
NVIDIA Corp	2.79
UnitedHealth Group Inc	2.03
Amazon.com Inc	1.76
Novo Nordisk A/S	1.59
TotalEnergies SE	1.47
Visa Inc	1.28

Region Allocation	%
North America	62.20
Europe ex UK	14.01
Japan	6.22
Asia ex Japan	6.19
United Kingdom	5.78
Cash	3.94
Others	1.65
Australasia	0.01

Fund Performance

The Fund posted a positive return during the December quarter however underperformed its benchmark. All of the Fund's five underlying managers gained ground, with American Century outperforming their benchmark whereas others lagged - in particular Arrowstreet, Orbis and GQG. During the period, the Fund unwound its exposure to Schroders and initiated an investment in Vinva. Over the medium to long-term, Fund performance remains positive overall for 3 years, 5 years, and since inception, while continuing to outperform its benchmark in the first half of the 2023/24 financial year.

At a country level, there were no significant drivers for relative returns in terms of active allocation. Similarly, sector allocation was broadly neutral with no active positions having a standout impact on the Fund's relative returns. Stock selection was the major detractor from Fund performance.

From an individual stock perspective, significant detractors during the period included overweight positions in Schlumberger and Shell. Shares in US-based oilfield services company Schlumberger suffered alongside other energy companies on the back of declining spot prices for oil and gas. Investor sentiment towards the stock was impacted by lower prices across the energy sector more broadly, on concern that medium-term services projects might be delayed or cancelled. Similarly, the Fund's overweight holding in UK-based multinational oil and gas company Shell detracted, with falling oil and gas prices weighing amid weaker global demand and abundant US inventories.

Significant contributors during the period at a stock level included overweight holdings in US-based Meta Platforms and Microsoft Corporation. Social media and virtual reality company Meta Platforms rose after reporting its latest results, with sales exceeding estimates driven by higher-than-anticipated average revenue per user. Cost containment also resulted in higher-than-expected margins and earnings. In addition, the company announced a partnership with Amazon that may generate incremental advertising revenue going forward. Shares in enterprise software and services technology company Microsoft reacted positively to the release of its latest financials as revenue and earnings easily beat the market's expectations. Investors welcomed an acceleration of the growth rate in Azure, Microsoft's cloud computing business, due to robust consumption trends driven by generative artificial intelligence applications.

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

After a poor September quarter, the December quarter was one of the strongest seen in recent years for international equities, with major developed markets up by almost 10%. (Returns were around 5.3% in Australian dollar terms due to a stronger Australian dollar). The main driver was significant further falls in inflation, particularly in the US and Europe where it is now finally nearing target levels, combined with some positive economic indicators and reasonable growth. With regard to the path of interest rates, by the end of the quarter, the market appeared to have shifted away from the 'higher for longer' thesis, to now expecting several rate cuts by the US Federal Reserve (Fed) in the months ahead. Interestingly, while technology stocks were responsible for the majority of the markets' gains through 2023, the fourth quarter rally was more broad-based, with most sectors lifted by the rising tide of optimism.

Emerging market equities also rose very strongly, though underperformed developed markets largely due to falling Chinese shares amid continued growth concerns, deflation and lacklustre manufacturing readings. Further Chinese government stimulus remains likely. South American markets meanwhile were particularly strong, with central banks in the region more dovish than their developed peers.

Outlook

Interest rates around the world are largely accepted as being at their cyclical peak, on the back of significantly decreased levels of inflation. Economic growth remains low, but generally positive. The corporate environment remains tough, though strong businesses, as always, will likely move forward with increased market dominance. 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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