

# AMP Capital Ethical Leaders International Share Fund - On-platform Class A

## Investment objective

To provide high returns over the long term while accepting high levels of volatility in returns. The benchmark for the Fund is the MSCI All Country World Index. In seeking to achieve the investment objective, we aim to provide a total return, after costs and before tax, high than the return from the benchmark on a rolling 5 year basis.

## How we manage your money

The Fund normally invests in international shares.

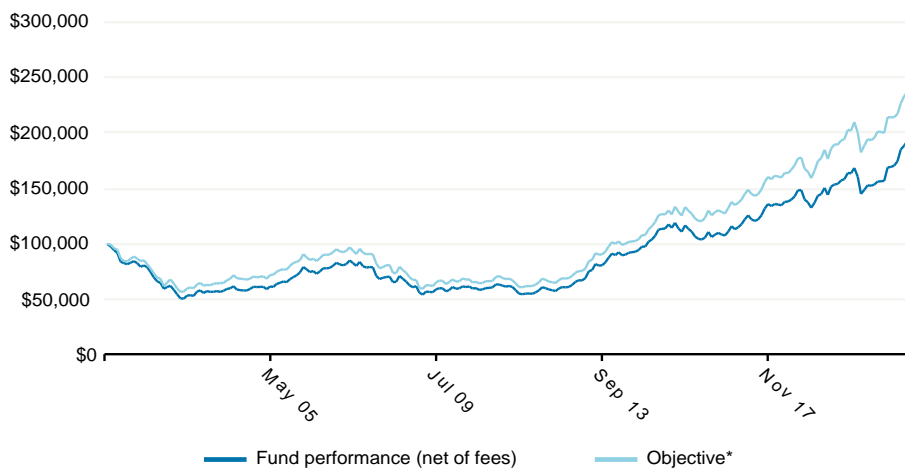
## Performance as at 31 December 2021

%	1 MTH	3 MTH	1 YR	3 YRS	5YRS	7YRS	SINCE INCEPT
Total Return - Net of Fees	2.84	5.19	28.02	17.78	13.32	11.04	3.85
Objective*	1.43	5.99	25.81	19.10	14.30	12.79	4.92
Excess return	1.41	-0.80	2.21	-1.32	-0.98	-1.75	-1.08

Past performance is not a reliable indicator of future performance. Performance is annualised for periods greater than one year. Total returns are calculated using the net asset value per unit for the relevant month end. This price may differ from the actual unit price for an investor buying or selling an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after fees and costs and assume all distributions are reinvested.

\* The benchmark for this Fund changed from the MSCI World Accumulation Index to the MSCI All Country World Index on 1 August 2011. Past performance of this Fund is reported using the MSCI World Accumulation Index up to 31 July 2011. Performance reported after 1 August 2011 uses the current benchmark, the MSCI All Country World Index..

## \$100,000 invested since inception



## FUND FACTS

APIR	AMP0455AU
Inception date	20 April 2001
Fund Size	\$55,872,820
Total ongoing annual fees and cost*	1.16% p.a.
Buy/Sell spread*	+0.25%/-0.25%
Distribution frequency	Half-yearly
Minimum investment	\$500,000
Minimum suggested time frame	5 years

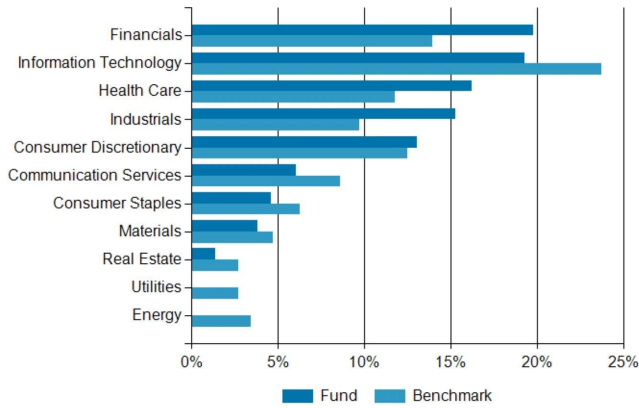
\*Fee information is accurate as at 30 June 2021, and is updated bi-annually. The Fund PDS outlines the latest ongoing annual fees and cost as well as any member activity-related fees and costs (if applicable) that may apply to your investment. You can review the PDS at [www.ampcapital.com](http://www.ampcapital.com)

The new regulations effective from 30 September 2020 will change the way fees and costs are required to be disclosed to Investors. It is important to note these fees and costs have always existed and are factored into your net-of-fee returns. We are simply changing the way they are displayed. You are not being charged additional fees and costs.

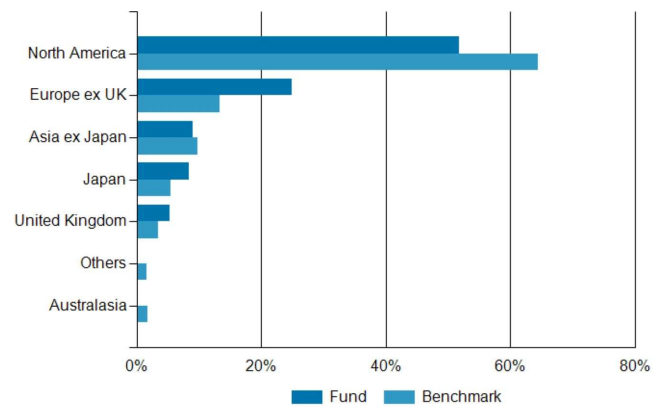
## What happened last period

- Global shares surged over the quarter despite prevailing concerns around inflation and the monetary path ahead for central banks, as well as Omicron
- The Fund produced a very strong return, though slightly underperformed the benchmark (before fees)
- C Worldwide Ethical outperformed the benchmark, while Boston Partners underperformed, though both produced strong absolute returns

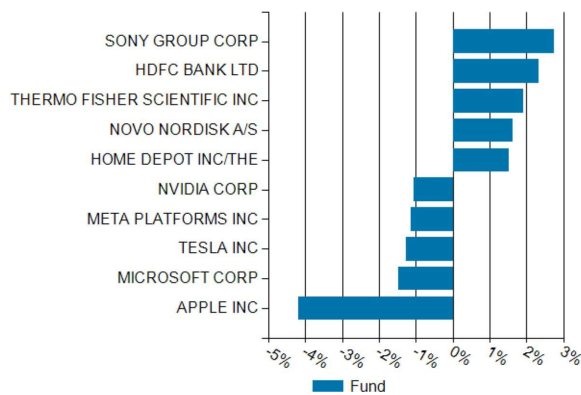
## Sector allocation (%)



## Regional allocation (%)



## Top/Bottom Excess Weights



## Fund Performance

The Fund produced a strong absolute return, though slightly underperformed the benchmark (before fees) over the quarter. In regard to our two underlying managers, C Worldwide Ethical outperformed the benchmark, while Boston Partners underperformed, though both were solid in absolute returns.

Overall, the portfolio's asset allocation was positive, though stock selection was negative. Developed-market holdings, which make up around 90% of the portfolio, produced considerably stronger returns than our emerging-market holdings as emerging markets struggled more with inflation, commodity price volatility, and Chinese growth concerns. On a regional basis, the portfolio's US holdings were the main detractor from the relative return, due to both selection and allocation. On an industry sector basis meanwhile, selection within information technology was the major detractor.

At a stock level, relative performance continued to be negatively impacted by the portfolio not owning some of the major US technology stocks which surged over the period, such as Apple, Tesla and Nvidia Corporation, an area where our managers don't see much value. Apple (+25%) rose as the market welcomed speculation that the company was planning to release the next generation iPhone SE in the March 2022 quarter. NVIDIA Corporation

soared (+41%) after several broking analysts upgraded the company's prospects in the lead up to the company's annual GPU Technology Conference, where it released its Omniverse Enterprise platform. Tesla's stock price rose (+36%) on its third quarter results and an analyst upgrade, and on news of a deal to sell 100,000 electric vehicles to rental car company Hertz Global. Meanwhile, an overweight holding in UK-listed Ferguson Plc, a distributor of plumbing and heating products, was a significant positive contributor to the portfolio's return, with the company's shares rising (+28%) over the period on the back of a strong quarterly earnings report.

## Market review

Global share markets continued to steam ahead over the December quarter, with the MSCI World ex Australia index gaining 8.25% for the period. As is often the case with equity markets, strong gains came despite significant prevailing fears and concerns, which over this period centred around inflation and the monetary path ahead for central banks, and, to a lesser degree, the Omicron COVID-19 variant. US inflation was shown to be at 6.8% over the year to November, a multi-decade high, with many other nations recording similar spikes. Ironically however, a growing degree of acceptance of the prevailing inflationary environment may have

started to remove some uncertainty, as investors increasingly look to allocate cash to companies with pricing power and thus potentially provide some shelter from the increasing cost of living. Reports of the new Omicron variant mid-quarter gave markets an initial scare, though positive momentum was quickly recovered amid signs symptoms were generally milder in nature, despite the variant being considerably more infectious, and a growing realisation that further new variants will almost certainly be an ongoing endemic feature, rather than something to be surprised by. Emerging markets meanwhile were more heavily hit by the inflation-related fears, combined with concern around falling Chinese economic growth and the resultant impact on commodity demand, leading the MSCI Emerging Markets index to pull back by 0.91% over the period. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

Uncertainty over the persistence of inflationary pressures remains a prime focus going forward, particularly when taken into account with record debt-levels across the globe presenting obvious difficulties as central banks begin to raise interest rates. Meanwhile, corporate earnings remain generally strong and growing, as companies continue to recover from the COVID downturn. Thus, the medium-term outlook for international equities is still difficult to predict. Supply-demand mismatches also remain. Likely tax hikes from the Biden administration are a further issue on the horizon which will impact earnings, although currently proposed increases are less than initially feared, so the hit to earnings may be smaller than initially thought. Business with power to raise prices should do relatively well in an inflationary environment. While more governments may raise rates over the next year or so, this is likely to be done slowly, and may even remove some market uncertainty. While the shorter-term environment remains uncertain, we continue to believe the longer-term trend will remain to the upside, and that investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the longer-term.

## Environmental, Social and Governance

During the December quarter, underlying manager Boston Partners engaged with Japanese manufacturer Yamaha Motor Co. Discussing its carbon neutrality goals, the company highlighted that the challenge in this area is mainly related to electric vehicles, including the need for batteries to be lighter weight and standardised. The company believes that most batteries will become swap type batteries and internal combustion engines will remain. They also believe they will be able to take advantage of the industrial standardisation of batteries; and without standardisation they don't believe electric vehicles will be popular. By

standardising the basics of swap size batteries, Yamaha wants to reduce cost and time for research and development and are planning to establish charging stations with other players, with a goal to not only standardise specifications in Europe but internationally as well.

On the topic of climate change, Boston Partners engaged with Anthem Inc, a provider of health insurance and the largest for-profit managed health care company in the Blue Cross Blue Shield Association. The company recently announced a number of emission reduction targets, committed to 100% renewable energy and signed a 15-year solar power purchasing agreement. Additionally, the company has set a target to engage with 70% of their supply chain regarding science-based targets, using the CDP Supply Chain module.

Meanwhile, CWorldwide engaged with Bank Central Asia (BCA), the largest privately owned bank in Indonesia. Despite having met BCA multiple times, this was the manager's first dedicated ESG meeting. The focus for the meeting was to better understand the bank's sustainability efforts, even though the bank is quite strong in the field already, especially considering its origin and standards in general in Asia might have pointed otherwise. BCA was one of the first financial institutions in Indonesia to work with ESG, which has since been supported by governmental requirements introduced in 2017. The manager discussed sustainable finance, including lending to the palm oil industry, where BCA has set a target that all plantations must be sustainable-certified to receive lending. Currently, 70% of the palm oil exposure has this certification.



CERTIFIED BY RIAA

The AMP Capital Ethical Leaders Range has been certified by RIAA according to the strict disclosure practices required under the Responsive Investment Certification Program.

The Certification Symbol signifies that an investment product or services takes environmental, social, ethical or governance considerations into account along with financial returns. See [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for details<sup>1</sup>.

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.



## **Portfolio Manager**

### **Trent Loi**

Trent Loi joined AMP Capital in May 2012 as the portfolio manager for the international share and Australian small companies' portfolios within the Specialist, AMP Capital Ethical Leaders, Experts' Choice and ipac ranges of funds. Prior to joining AMP Capital, he was an Associate Consultant at Mercer Investment Consulting. Prior to that, he was an Investment Analyst at Aon Investment Consulting.

## Further information

For information about the Fund including fees, features, benefits and risks talk to your financial advisor today or read the product disclosure statement (PDS) which can be found on:

[www.ampcapital.com/ethical-leaders-international-share-fund](http://www.ampcapital.com/ethical-leaders-international-share-fund)

You can also call us on **1800 658 404**



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