

# Specialist International Share (Hedged) Fund - On-platform Class A

## Investment objective

To provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis. The benchmark for the Fund is the MSCI World ex Australia ex Tobacco Index (net dividend reinvested), hedged to Australian dollars.

## How we manage your money

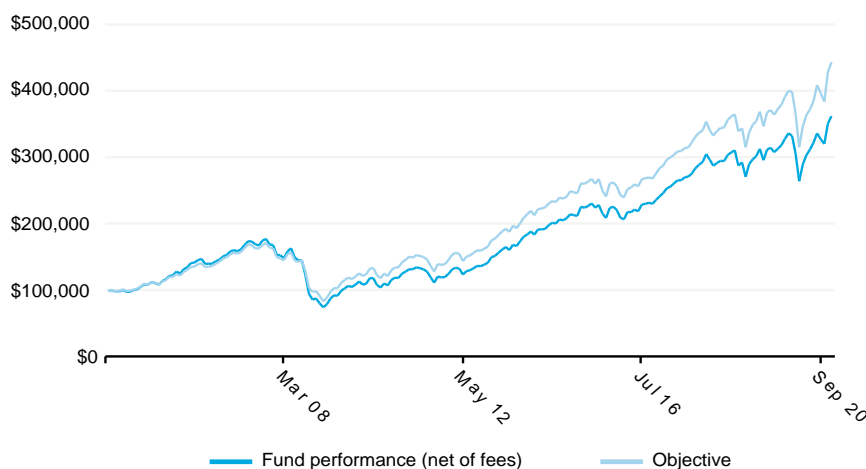
The Fund normally invests in international shares.

## Performance as at 31 December 2020

%	1 MTH	3 MTH	1 YR	3 YRS	5YRS	7YRS	SINCE INCEPT
Total Return - Net of Fees	3.13	10.58	7.66	7.25	10.30	9.72	7.92
Objective	3.43	11.76	10.72	9.14	11.48	10.50	9.22
Excess return	-0.30	-1.18	-3.06	-1.88	-1.17	-0.78	-1.29

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.

## \$100,000 invested since inception



## FUND FACTS

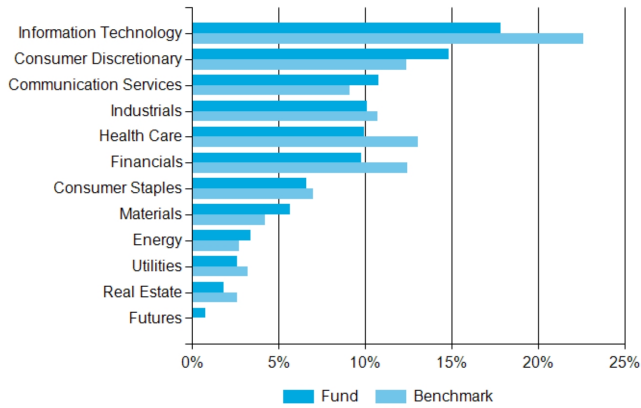
APIR	AMP0825AU
Inception date	18 February 2004
Fund Size	\$205,013,020
Management costs*	1.40% p.a.
Buy/Sell spread*	+0.20%/-0.15%
Distribution frequency	Half-yearly
Minimum investment	\$500,000
Minimum suggested time frame	5 years

\*Fee information is accurate as at 30 June 2020, figures are updated bi-annually. The Fund PDS outlines the latest management costs and other relevant components, as well as other fees and costs that may apply to your investment. You can review the PDS at [www.ampcapital.com](http://www.ampcapital.com)

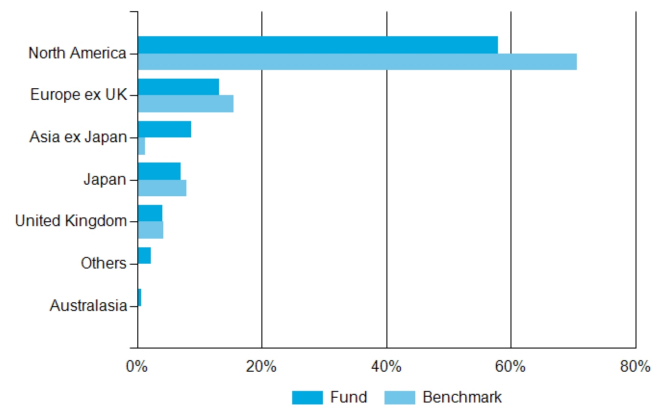
## What happened last period

- Global share markets performed strongly in the December quarter, buoyed by the significant announcements of successful COVID-19 vaccine trials.
- The Fund posted a strong positive absolute return, however underperformed its benchmark (before fees) over the period.
- Of the underlying managers, Orbis, Arrowstreet and American Century outperformed their benchmarks, with all managers gaining ground with the exception of Magellan.
- Country allocation detracted from relative returns, whereas stock selection added value overall.

## Sector allocation (%)



## Regional allocation (%)



## Fund Performance

The Fund posted a strong positive absolute return, however underperformed its benchmark (before fees) during the December quarter. Led by Orbis and Arrowstreet, four of the Fund's five underlying managers gained ground, whilst Magellan was a significant laggard. Orbis, Arrowstreet and American Century also outperformed their respective benchmarks, whilst Magellan and Schroders underperformed. The Fund continues to outperform its benchmark over the long term, including over 5 years and since inception (annualised). (All returns are before fees.)

Country allocation detracted overall from relative performance during the period. The exposure to emerging markets specifically in China detracted most, as did the underweight allocation to France, more than offsetting the contributions from an underweight position in the US (a major contributor within developed markets) and holdings in South Korea. The Fund's cash position (primarily in US dollars held by Magellan) was also a significant detractor from the relative return, as share markets rose strongly.

Sector allocation (excluding the cash position) was broadly neutral for relative returns. The underweight exposure to health care and an overweight in communication services were the main contributors, whilst being underweight financials and energy were the main detractors.

Stock selection added to relative returns overall. The largest individual contributors were overweight positions in XPO Logistics and Howmet Aerospace and having nil holding in salesforce.com.

US transport company XPO Logistics (+31%) rallied during the latter half of the period after the company released results for Q3 2020 which exceeded investor expectations, with sentiment being boosted further on optimism surrounding a COVID-19 vaccine.

Shares in US-based aerospace engineering manufacturer Howmet Aerospace (+59%) rallied on the news of promising developments in COVID-19 vaccine trials which bodes well for air travel.

US cloud-based customer relationship

management company salesforce.com (-17%) fell after some market participants expressed concern about the company's proposed acquisition of Slack Technologies.

The largest individual detractors were overweight positions in Alibaba Group and Reckitt Benckiser Group and having nil holding in Tesla.

Shares in Chinese e-commerce company Alibaba Group (-26%) suffered after affiliate Ant Group's suspension of its initial public offering, the release of mixed results for Q3 2020, Chinese authorities said they would investigate the company for "suspected monopolistic conduct" and key founder Jack Ma disappeared after criticising financial authorities.

Anglo-Dutch consumer health and hygiene products company Reckitt Benckiser Group (-15%) saw its share price fall following the company's announcement of results for Q3 2020 where sales were lower than investor expectations and company management lowered its previous forecasts for full year revenue and profit margins.

Shares in electric vehicle and clean energy company Tesla (+53%) soared as the stock was included in the S&P 500 index and on the back of several broker analyst upgrades for the company's prospects on the basis of a surge in overall electric vehicle demand.

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

International shares produced a very strong performance over the December quarter, rising by 12.33% as measured by the MSCI World ex Australia index. Shares fell early in the quarter as COVID-19 numbers continued to rise in many parts of Europe and the US, leading some countries to reintroduce social distancing restrictions, which in many cases have been shown to be devastating to economies and businesses. Mid-quarter however, the market received a huge boost from announcements of successful COVID-19 vaccine

trials from Moderna, Pfizer and Oxford-AstraZeneca. These vaccines were shown to be around 95% effective in preliminary results. Approval and initial rollout have now already occurred in some countries, with markets closely watching for medical results and data. The other major story over the quarter was the US election, with a Biden win finally confirmed in very early January 2021, as was a Democrat victory in both the Senate and the House. Markets broadly reacted positively as results increased in clarity through the period. In other positive news for markets, the UK and Europe also finally agreed on a Brexit deal at year-end, over 4 years after the referendum, allowing markets to put much of the related uncertainty into the rear-view mirror. (All indices are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

The medium-term outlook for earnings remains difficult to predict; and varies greatly depending on company specifics. There is also the potential for shorter-term volatility as the market digests the implications of a Biden administration. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations look stretched. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge from the COVID-19 crisis with gained market share. Risks of further pandemic breakouts and, indeed, the manner in which governments choose to respond, remain a risk until vaccines are fully implemented. Governments generally continue to implement supportive monetary and fiscal programmes to ease shorter-term burdens and keep economies more resilient, though some concern is growing around the sustainability of some programmes. Despite this, we believe the longer-term market trend will remain to the upside. As always, while the near-term direction of markets is impossible to accurately predict, we believe that those with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the long term.

## 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/specialist-international-share-hedged-fund](http://www.ampcapital.com/specialist-international-share-hedged-fund)

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

The logo consists of the words "INSIGHTS", "IDEAS", and "RESULTS" stacked vertically in a blue, sans-serif font. To the left of the text is a stylized blue graphic element resembling a curved arrow or a partial circle.

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