

# Walter Scott Global Equity

Quarterly Investment Option Update

31 March 2022

## Aim and Strategy

Aims to achieve a long-term return (before fees and expenses) that exceeds the MSCI World ex-Australia Index, in Australian dollars unhedged with net dividends reinvested. The portfolio provides exposure to a concentrated portfolio of global equities by investing in securities which, in Walter Scott's opinion, offer strong and sustained earnings growth. The portfolio is actively managed using a benchmark unaware, fundamental, bottom-up and research-driven approach to build a portfolio of strong growth companies capable of generating wealth over long periods of time.

The investment approach combines detailed financial analysis with business and management analysis.

The investment portfolio is constructed with a primary focus on stock-based analysis.

The Fund Manager expects that on average, and based on long-term experience, 15 to 25% of the stocks in the portfolio will be turned over each year, which reflects the investment manager's long-term buy and hold approach. The portfolio's exposure to international assets is not hedged back to Australian dollars.

## Investment Option Performance

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

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	7 years
<b>Relative risk rating</b>	7 / Very High
<b>Investment style</b>	Growth
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100.00	97.78
Cash	0.00	2.22

Sector Allocation	%
Information Technology	34.43
Health Care	18.16
Consumer Discretionary	11.82
Industrials	11.80
Consumer Staples	8.12
Communication Services	5.13
Materials	4.49
Financials	3.83
Energy	0.00
Utilities	0.00
Real Estate	0.00

Regional Allocation	%
North America	61.40
Europe ex UK	17.35
Japan	7.69
United Kingdom	5.20
Asia ex Japan	3.19
Emerging Markets	2.96

Top Holdings	%
Microsoft Corp	4.33
Alphabet Inc	3.50
Novo Nordisk A/S	3.08
Edwards Lifesciences Corp	3.02
Taiwan Semiconductor Manufacturing	2.96
Keyence Corp	2.94
Mastercard Inc	2.88
Automatic Data Processing	2.69
Cognizant Technology Solutions	2.60
Alimentation Couche-Tard	2.57

## Investment Option Commentary

**Alimentation Couche-Tard**, the largest individual contributor over the quarter, delivered a strong set of quarterly numbers in a challenging environment due to the spread of the Omicron variant of Covid and the surge in oil prices. Another quarter of robust fuel margins provided further evidence that the company's fuel retail and supply chain initiatives are driving sustainably higher margins. Meanwhile, in-store merchandising initiatives are gaining traction, in particular Fresh Food Fast. The results indicated that labour and supply chain issues are easing, and pricing actions are offsetting inflationary pressures.

**Keyence** was the largest individual detractor during the quarter, suffering from market rotation from growth to value stocks on interest rate concerns due to sustained inflationary pressures. However, the company announced a strong set of results during the period with a new quarterly record for sales and profits. Good levels of growth were seen across all regions and industries, showing little impact from supply chain shortages.

## Market Commentary

Stubborn supply chain issues and the concomitant and persistent escalation of inflation have been exacerbated by the conflict between Ukraine and Russia, given both country's significant positions in key energy and other commodity markets. From the rosy scenario of steady economic progression, with supply chain hurdles being resolved and with just a modest and appropriate adjustment of the monetary environment seeming likely, a much more uncertain and volatile outlook has now been built into the market narrative. In the US, where for some time the Federal Reserve was using the labour market as a litmus test of economic health, the current tightness, as evidenced by March's strong jobs report, and the spike in inflation, have various members of the central bank now champing at the bit to hike rates higher and at a faster rate. Notwithstanding the 'Great Resignation', the buoyant workforce data speaks of an economy which has shown considerable vigour. In Europe, the economic rebound that has gathered momentum despite the flare up of the Omicron variant, is now being challenged by a surge in inflation, as the conflict exacerbates pre-existing supply chain hurdles and highlights the seemingly redundant Östpolitik thinking that Russia could be relied on to be a key supplier for the region's energy needs. Euro-zone inflation rose by a record 7.5% in March, prompting calls for the European Central Bank to tighten its highly accommodative monetary policy faster than originally planned. However, the bank may have to balance the effect of a significant squeeze on real incomes, and therefore growth, with the need to rein in inflation, so it remains to be seen to what extent policy will be tightened. The picture in Japan is somewhat different, with the Bank of Japan (BoJ) largely sticking to its stimulus mantra. Gradually, the economy is recovering from the Omicron wobbles, and inflation is picking up; a long sought-after goal of the BoJ. Except it's the wrong kind of inflation. Rather than demand-led, as elsewhere in the world Japan and its companies are feeling the effect of cost-push inflation. Compounding current global concerns are events in China. The persistence of the Covid Omicron variant has seen the renewal of growth-stifling lockdowns in the world's second largest economy, adding to global supply chain woes. In view of the economy's slower pace of growth, Chinese policymakers are increasingly embracing monetary and fiscal stimulus, while adopting a more supportive tone towards financial markets. This is against the backdrop of the Sino-US rift over Ukraine and Taiwan and the resurfacing of the delisting threat regarding Chinese US-listed companies, with the interventionist mien of the Xi administration still impacting investor sentiment.

## Outlook

Economies and equity markets are faced with a barrage of uncertainties, and it is likely that volatility will remain the order of the day. Walter Scott does not trade 'macro' events nor ever aligns the firm's investment thinking with potential economic or political outcomes. As always, Walter Scott remains focused on financially robust, well-managed companies with a long growth runway that have pricing power and a strong competitive advantage, with the ability to show resilience and adaptability in the face of these more challenging times.

## Availability

Product name	APIR
SignatureSuper*	AMP1607AU
SignatureSuper Allocated Pension*	AMP1631AU

\*Closed to new investors

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