Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

To generate superior risk adjusted returns with a dividend yield that exceeds the dividend yield of the MSCI World ex-Australia index in Australian dollars (net dividends reinvested). The strategy is designed for investors who want a medium to long-term exposure to a portfolio of high quality global companies with attractive income and capital appreciation potential. The strategy pursues attractive total returns with an above average level of income by investing in a diversified portfolio of global companies with strong and growing free cash flow.

Investment Option Performance

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

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	3 years
Relative risk rating	7 / Very high
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	98.7%
Cash	0%	1.3%

Sector Allocation	%
Consumer Discretionary	6.4
Consumer Staples	10.5
Energy	5.9
Financials incl Real Estate	19.4
Health Care	13.1
Industrials	8.2
Information Technology	13.1
Materials	4.4
Communication Services	8.3
Utilities	9.4

Regional Allocation	%
Australia & New Zealand	0.0
Emerging Markets	2.7
Europe – ex UK	19.8
Japan	2.4
North America	66.7
Pacific – ex Japan, Australia	0.0
UK	7.2

Top Holdings	%
International Business Machines Corp.	2.1
AbbVie Inc	2.1
Philip Morris International Inc	1.8
Broadcom Inc	1.7
TotalEnergies SE	1.7
Astrazeneca PLC	1.7
Microsoft Corp.	1.6
British American Tobacco PLC	1.6
Novartis AG	1.6
Deutsche Telekom AG	1.6

Portfolio Summary

The Fund posted a negative return for the quarter, but outperforming the broader market which had a negative return of 8.4% as measured by the MSCI World Ex-Australia Index in AUD.

Investment Option Commentary

Following a challenging start to 2022, the second quarter brought little relief for global equity markets, the portfolio posted a negative return for the quarter, while the broader market had a negative return of 8.4% as measured by the MSCI World Ex-Australia Index in AUD. Central banks' credibility came under fire, as they continued struggling to tame inflation with aggressive monetary tightening. With commodity prices still elevated and little progress towards resolution for the war in Ukraine, risk-off sentiment remains dominant among investors. The strategy provided a significant margin of downside protection through the quarter, aided by its low exposure to volatility and market sensitivity.

The absolute return was negative for the quarter, with key positive contributions from Health Care, Consumer Staples and Utilities sectors being offset by Information Technology and Financials. Semiconductor stocks were primarily responsible for poor performance in information technology, as the industry underperformed on reports of weakening consumer demand. European insurance firms accounted for the bulk of financials' detraction to return, as the financial sector in the region remains pressured by the ongoing war in Ukraine.

It was a good quarter on a relative return basis, as the strategy strongly outperformed the broad market benchmark and finished modestly ahead of the MSCI World High Dividend Yield Index. All sectors contributed to relative performance, with the largest contributions coming from Information Technology and Communication Services, Consumer Discretionary and Utilities sectors. A combination of sector allocation and stock selection drove the strong relative returns in Information Technology, with an underweight allocation to the poorly performing sector and exposure to an IT services stock with strong performance driving return, while stock selection fueled outperformance in Communication Services, as exposure to the only positive segment in the sector, diversified telecommunications services, was mainly responsible.

Market Commentary

Stocks tumbled, reacting to faster inflation, more aggressive central banks, higher interest rates and growing fears of a recession. The headline CPI rate rose to 8.6% in both the U.S. and the euro area, catching investors off guard and calling into question the "peak inflation" narrative. Even Japan, long associated with deflation, saw its inflation rate hit 2.5%. Profit margins came under scrutiny, with some companies reporting difficulty in passing on inflation costs to their customers. A majority of sectors had double-digit declines, with information technology shares falling the most. The energy sector along with the defensive areas of health care, consumer staples and utilities had the smallest losses.

Outlook

The global macroeconomic outlook continues to be challenging. The war in Ukraine continues to pressure global economic growth and exacerbate supply chain issues. Additionally, despite increasingly aggressive monetary tightening by hawkish central banks, inflation remains elevated in the face of broad commodity price pressure and resilient demand. The probability of a recession within the next year has risen as central banks may find facilitating a soft landing for the economy difficult while facing stubborn inflation, falling consumer confidence, and high oil prices.

Against this backdrop it remains doubtful that we will see equity returns benefit from multiple expansion. Multiples for many long-duration stocks continue to come under pressure and are unlikely to expand in a slower growth, rising rate environment. Shareholder distributions are expected to be the most reliable, and perhaps most significant component of returns for the foreseeable future. Companies have accumulated large cash balances which should continue to lead to growing dividends and an increase in share buybacks. While earnings are bound to be pressured by the current macro backdrop, companies characteristic of the shareholder yield portfolio, those with strong market position, strong pricing power, and the ability to defend margins with efficiency steps, should prove capable of maintaining earnings and cash flow growth despite the challenging environment.

We remain focused on those companies that can generate free cash flow and have managements that have proven they can allocate cash effectively. Despite the ongoing challenging and volatile market environment, shareholder yield focused companies should hold up well and continue to deliver consistent and attractive dividend income, lower-than-market volatility, and good downside protection.

Availability

Product name	APIR
Flexible Lifetime Investment (Series 2)**	AMP2033AU
SignatureSuper *	AMP2006AU
SignatureSuper Allocated Pension*	AMP2013AU

*Closed to new and existing investors
** Closed to all investors

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