

Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 September 2019

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

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	97.7%
Cash	0%	2.3%

Sector Allocation	%
Consumer Discretionary	5.4
Consumer Staples	11.5
Energy	9.1
Financials inclg Real Estate	19.4
Health Care	11.7
Industrials	8.4
Information Technology	7.4
Materials	3.5
Telecommunication Services	6.8
Utilities	14.5

Regional Allocation	%
Australia & New Zealand	1.8
Emerging Markets	1.4
Europe – ex UK	22.3
Japan	1.6
North America	60.2
Pacific – ex Japan, Australia	--
UK	10.4

Top Holdings	%
Duke Energy Corporation	1.9
Welltower, Inc.	1.8
AXA SA	1.8
Allianz SE	1.8
BCE Inc.	1.7
Verizon Communications Inc.	1.7
Munich Reinsurance Company	1.6
Entergy Corporation	1.6
FirstEnergy Corp.	1.6
AT&T Inc.	1.6

Portfolio Summary

- The Fund outperformed the broader market in the third quarter, solidifying its outperformance when the market started to shift from favouring momentum-driven companies to more value-driven ones in September.
- The economic slowdown, combined with a lack of inflationary pressure, has led the major central banks to lean toward easier monetary policies. Ultra-low interest rates have been a boon for equity valuations, but we are approaching the limits of how far rates can fall. While Epoch expects low rates to be with us for some time to come, it believes the tailwind from falling rates is largely over. Therefore, equity returns will be increasingly dependent on dividends and cash flow growth.
- Epoch believes its investment approach is well suited to this environment, where investment returns are more closely linked to company fundamentals.

Investment Option Commentary

The Fund generated positive results. Though the market experienced a bumpy July and August, a strong rally in September led to a gain for the quarter. Utilities followed by consumer staples and industrials were the strongest positive contributors to absolute performance, as investors favored more defensive sectors, but consumer confidence remained strong. There were no notable detractors as the market was generally up. By country, the U.S. was the largest positive contributor on an absolute basis, while there were no notable detractors.

The Fund outperformed the broader market in the third quarter, solidifying its outperformance when the market started to shift from favouring momentum-driven companies to more value-driven ones in September. An overweight to utilities, a defensive sector heavily represented in the portfolio, was the strongest contributor to relative performance, further helped by stock selection. Strong stock selection in industrials, communication services and real estate further contributed positively to relative results. Strong stock selection in energy more than offset the negative effect of being overweight the sector, as energy was the worst performer in the benchmark. However, the portfolio's underweight to information technology and stock selection from exposure to certain software and hardware companies detracted from relative performance. Stock selection in consumer staples further detracted from relative results. From a country perspective, stock selection in the U.S. contributed positively to relative performance as markets were generally up, whereas an underweight to Japan slightly detracted.

Among the largest individual positive contributors to absolute performance were Entergy and AT&T. Among the largest individual detractors were Pfizer and Royal Dutch Shell.

Market Commentary

Equity markets ended with nominal gains in U.S. dollar terms while bond yields slipped and the dollar strengthened, particularly against the euro. Equity investors shifted towards defensive sectors, including utilities, real estate and consumer staples. Stock and bond prices were supported by monetary easing from central banks worldwide amid signs of a slowing global economy, an intensifying trade dispute between the U.S. and China, and a cooling off in manufacturing. Widespread protests in Hong Kong and the U.K.'s Brexit shambles also kept a lid on investor sentiment.

Outlook

Economic growth is moderating worldwide as the economic cycle matures, trade frictions take hold and the manufacturing sector begins to contract. Growth in the U.S., while slowing, remains supported by consumers, backed by a strong job market and incrementally higher wages. Growth in Europe is more tentative, with some countries (notably Germany) appearing on the verge of recession. The Chinese economy has stabilized for the time being, but excess leverage that Epoch believes is higher than official statistics is a concern.

The economic slowdown, combined with a lack of inflationary pressure, has led the major central banks to lean toward easier monetary policies. Ultra-low interest rates have been a boon for equity valuations, but we are approaching the limits of how far rates can fall. While Epoch expects low rates to be with us for some time to come, it believes the tailwind from falling rates is largely over. Therefore, equity returns will be increasingly dependent on dividends and cash flow growth. Epoch believes its investment approach is well suited to this environment, where investment returns are more closely linked to company fundamentals. As always, Epoch seeks companies that can generate a growing stream of free cash flow and allocate that cash effectively for the benefit of shareholders.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1996AU
AMP Flexible Super - Retirement account	AMP2021AU
AMP Flexible Super - Super account	AMP2026AU
CustomSuper	AMP1996AU
Flexible Lifetime - Allocated Pension	AMP2001AU
Flexible Lifetime Investment (Series 2)	AMP2033AU
SignatureSuper	AMP2006AU
SignatureSuper Allocated Pension	AMP2013AU

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