

# Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 June 2021

## 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](http://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	3 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	98.10%
Cash	0%	1.90%

Sector Allocation	%
Consumer Discretionary	7.4
Consumer Staples	10.5
Energy	4.8
Financials inclg Real Estate	17.6
Health Care	12.2
Industrials	8.8
Information Technology	15.0
Materials	5.1
Communication Services	7.8
Utilities	8.9

Regional Allocation	%
Australia & New Zealand	0.0
Emerging Markets	2.8
Europe – ex UK	20.5
Japan	2.5
North America	64.8
Pacific – ex Japan, Australia	0.6
UK	6.8

Top Holdings	%
Microsoft Corporation	1.9
Nutrien Ltd.	1.8
AbbVie, Inc.	1.7
Allianz SE	1.7
International Business Machines	1.6
Samsung Electronics Co.	1.6
Analog Devices Inc	1.6
Broadcom Inc	1.6
Phillip Morris International Inc	1.6
Metlife Inc	1.4

## Portfolio Summary

- The quarter was broadly characterised by shifting market sentiment around the reopening/reflation and value vs. growth trades.
- The Fund posted a strong positive return. All sectors contributed to performance on an absolute basis, with industrials and information technology being the strongest contributors.

## Investment Option Commentary

The Fund posted a strong positive return for the second quarter. The quarter was broadly characterised by shifting market sentiment around the reopening/reflation and value vs. growth trades. Epoch are happy with the upside participation as the portfolio continued to benefit from a more widespread recovery across global equities but acknowledge that the Fund may lag during strong market rallies.

All sectors added to absolute performance. Robust returns for portfolio holdings in industrials and information technology led to some of the largest contributions on the sector level, as the Fund's air freight and logistics, software and hardware positions performed well. Healthcare also supported absolute returns.

The Fund demonstrated good upside performance but did underperform the broader market. The shortfall in relative returns was primarily due to large technology, internet services and e-commerce stocks that drove index returns but were not held in the portfolio because they do not pay dividends. In addition, technology stocks that do pay dividends but were held in the portfolio at less-than-market weight in accordance with Epoch's diversification guidelines also hindered returns. Several insurance and pharmaceutical holdings also detracted as did an overweight position in utilities. On the positive side, stock selection in industrials and real estate contributed to relative performance.

## Market Commentary

Stocks advanced as the vaccination rollout accelerated across most developed markets, businesses reopened, and a rapid economic recovery supported a rebound in earnings. Bond yields eased in the U.S. and Japan and began to ease mid-quarter in Europe. The information technology and communication services sectors outperformed the broader market with a handful of large technology, communication services and e-commerce stocks reasserted their dominance. Energy and real estate also provided outsized gains, with oil prices having risen by half in 2021 and real estate benefiting from the economic reopening and investor appetite for an inflation hedge.

## Outlook

The macro outlook remains supportive of equity markets, reflecting loose monetary policies and massive fiscal stimulus. Global economies are expected to continue to re-open, albeit unevenly due to varying vaccination rates and experience with the delta variant of COVID-19. Inflation pressures may turn out to be transitory as the Fed has argued, dissipating in coming quarters as supply chain bottlenecks clear. There is a material risk, however, that some inflationary momentum is building in the system. Epoch still hold the view that the path for long-term interest rates is more likely to be modestly higher in the months ahead rather than lower, and therefore do not expect any significant yield curve flattening.

The brightening outlook is positive for cash flow generation and shareholder distributions. Epoch expect companies around the world to continue raising dividends and resuming share repurchase programs in response to rapidly recovering business performance. Epoch continue to focus on those companies that can generate free cash flow and have managements that have proven they can allocate cash effectively. In this environment, Shareholder Yield portfolios should deliver good absolute and relative returns, with consistent and attractive dividend income, lower-than-market volatility, and upside participation coupled with downside protection.

## 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

\*\*Closed to new and existing investors

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