Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

31 March 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%	98.4%
Cash	0%	1.6%

Sector Allocation	%
Consumer Discretionary	7.1
Consumer Staples	8.6
Energy	5.1
Financials incl Real Estate	18.7
Health Care	13.0
Industrials	8.5
Information Technology	15.2
Materials	6.4
Communication Services	7.2
Utilities	9.1

Regional Allocation	%
Australia & New Zealand	0.0
Emerging Markets	3.0
Europe – ex UK	20.3
Japan	1.7
North America	66.8
Pacific – ex Japan, Australia	0.0
UK	7.0

Top Holdings	%
Nutrien Ltd	2.3
Broadcom Inc	2.1
AbbVie Inc	2.0
Astrazeneca PLC	1.8
Microsoft Corp	1.8
International Business Machines Corp	1.8
Cisco Systems	1.7
TotalEnergies SE	1.6
Iron Mountain Inc	1.6
MetLife Inc	1.6

Portfolio Summary

- The Fund posted a negative return of 2.5% 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.

Investment Option Commentary

Through a difficult first quarter of the year for equities, the portfolio posted a negative return of 2.5%, while the broader market had a negative return of 8.4% as measured by the MSCI World Ex-Australia Index in AUD. Volatility persisted through the quarter, fueled by the arrival of monetary tightening and the onset of war in Ukraine. The strategy showed strong resilience in a rocky market, providing significant downside protection supported by its low volatility exposure and high dividend yield tilt.

Absolute return for the quarter was negative, with information technology and consumer discretionary names providing the biggest headwinds to returns. Within information technology, poor performance in semiconductor stocks impacted return the most. Performance in consumer discretionary was driven primarily by negative returns in specialty retailers and hotel, restaurant and leisure stocks. On the positive side, health care and materials sectors contributed most to return. A strong quarter for one biotech holding and a pharmaceutical stock accounted for performance in health care. An outsized return for an agrochemical stock was the driving force behind materials' contribution to absolute return.

On a relative basis, it was a very strong quarter for the strategy as it led the broad market benchmark by a wide margin. Dividend yielding equities showed strength, as the rotation from growth into value that began in 2021 continued. The largest contributions to relative return came from the health care and communication services sectors. Stock selection in health care fueled its contribution to relative performance, due largely to outsized returns in select pharmaceutical holdings and a biotechnology stock with a modestly overweight allocation. Within communication services, stock selection was also responsible for outperformance. Exposure to select diversified telecommunications companies and not having any holdings in one of the worst performing segments, interactive media and services, accounted for the sector's relative contributions.

Market Commentary

Equity markets fell as investors responded to increasingly hawkish central banks and the Russian invasion of Ukraine. Growth-oriented stocks bore the brunt of the decline. Bond yields surged, with the U.S. yield curve becoming nearly flat (and briefly inverting) from two years onward. The 10-year German bund yield rose above zero for the first time since the start of the pandemic. Energy and other commodity prices rose. Oil spiked with the onset of war before settling down to just above $100 per barrel, ending the quarter roughly one-third higher. The euro and yen declined against the U.S. dollar. The energy sector had the largest gains by far. Utilities and materials had positive returns. Consumer discretionary, communication services and information technology stocks all had steep declines.

Outlook

The global macroeconomic outlook remains challenging. Global economic growth is being pressured by the Russia/Ukraine war, commodity price pressures, and supply chain issues. Inflation has increased in the face of broad commodity price pressure, U.S. labor markets have tightened causing wage growth to accelerate, and housing rents remain strong. Central banks have been forced by inflation to raise rates despite growth uncertainty caused by the war in Ukraine.

Against this backdrop it is hard to imagine that we will see equity returns benefit from multiple expansion. Multiples for long-duration stocks continue to come under pressure and are unlikely to expand in the near future, while shorter-duration stocks should be resilient in the rising rate environment. Shareholder distributions are expected to be the most reliable, and perhaps most significant component of returns. Companies have accumulated large cash balances which should continue to lead to growing dividends and an ongoing resumption of share buybacks.

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 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 investors
**Closed to new and existing investors

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