

# Walter Scott Global Equity

Quarterly Investment Option Update

30 September 2019

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

## Investment Option Overview

|                                       |                |
|---------------------------------------|----------------|
| <b>Investment Category</b>            |                |
| <b>Suggested Investment timeframe</b> |                |
| <b>Relative risk rating</b>           |                |
| <b>Investment style</b>               |                |
| <b>Manager style</b>                  | Single Manager |

| Asset Allocation | Benchmark (%) | Actual (%) |
|------------------|---------------|------------|
| Global Shares    | 100.00        | 97.36      |
| Cash             | 0.00          | 2.64       |

| Sector Allocation      | %     |
|------------------------|-------|
| Information technology | 25.47 |
| Health care            | 20.29 |
| Consumer discretionary | 15.22 |
| Consumer staples       | 9.92  |
| Industrials            | 8.64  |
| Energy                 | 4.50  |
| Communication services | 4.36  |
| Materials              | 3.95  |
| Financials             | 2.76  |
| Utilities              | 2.25  |
| Real Estate            | 0.00  |

| Regional Allocation | %     |
|---------------------|-------|
| North America       | 57.11 |
| Europe ex UK        | 16.64 |
| Japan               | 8.12  |
| United Kingdom      | 5.93  |
| Asia ex Japan       | 5.00  |
| Emerging markets    | 4.56  |

| Top Holdings                       | %    |
|------------------------------------|------|
| Edwards Lifesciences Corp          | 3.07 |
| Mastercard Inc                     | 3.00 |
| Keyence Corp                       | 2.89 |
| Taiwan Semiconductor Manufacturing | 2.86 |
| Aia Group Ltd                      | 2.76 |
| Microsoft Corp                     | 2.67 |
| Nike Inc                           | 2.50 |
| Tjx Cos Inc (The)                  | 2.32 |
| Walt Disney                        | 2.27 |
| Fastenal Co                        | 2.26 |

## Investment Option Commentary

The Walter Scott Global Equity Fund returned 4.04% for the quarter ending September 2019, compared with a return for the Benchmark of 4.65%.

The top contributors to performance over the quarter were Edwards Lifesciences and Taiwan Semiconductor Manufacturing (TSMC), while the top detractors from performance for the quarter were EOG Resources and AIA Group.

Edwards Lifesciences released exceptionally strong clinical data, which demonstrated the clear superiority of its SAPIEN 3 TAVR valve over open-heart surgery in low-risk patients. The momentum carried through into the third quarter, with the company posting excellent second-quarter results, beating consensus expectations and raising guidance for the full year. Edwards is still investing heavily in clinical programs to set it up for growth in future years.

Taiwan Semiconductor has been going through a cyclical downturn. However, second-quarter results provided evidence of recovery and management believes the company has passed the bottom of the cycle. Another positive change is the acceleration in the development of 5G in China, which will boost revenue into smartphones and telecom base stations.

EOG endured a difficult quarter as the oil price again came under pressure. There is now an obvious disconnect between EOG's narrative and the company's share price performance. Despite the prevailing negative sentiment, operational performance at EOG remains strong. The company is now approaching peak cash flow despite a much lower oil price – yet the market continues to give it little credit for this.

The Hong Kong-based insurer AIA suffered a weak quarter. While the long-term growth and profitability of AIA's business remain solid, the situation on the ground in Hong Kong, with continued demonstrations and rioting, impacted the stock negatively. Sentiment right across the investment landscape in Hong Kong has clearly been hit hard, and it is also likely that AIA's new policy sales to both residents and mainland Chinese visitors will have tumbled. Although this will more than likely prove to be temporary, growth rates will dip in what are AIA's two most important markets. Once again, the merits of having both a very geographically diversified business, and a rock-solid solvency position, will come to the fore.

There were no initial purchases or final sales during the quarter.

## Market Commentary

Consumer Discretionary and Health Care stocks were noteworthy absolute and relative contributors, with Nike and Edwards Lifesciences strong individual performers. A decline in oil prices over the quarter weighed on the Energy sector. The Fund's Energy stocks, EOG Resources and Schlumberger in particular, underperformed their sector index and detracted the most from relative return. Information Technology and Utilities holdings, along with the sole Financials holding, AIA Group, also lagged their respective sector indices. The Fund's holdings in the Materials and Industrials sectors outperformed and contributed positively to relative return, with Shin-Etsu Chemical and SMC Corporation notably strong. From a regional perspective, Japanese equities, such as SMC Corporation and Shin-Etsu Chemical, were strong performers and key absolute contributors. US stocks in aggregate lagged their index and detracted the most in relative terms. Greater exposure to the weaker Asia Pacific ex-Japan also detracted notably from relative return. UK holdings, with Compass Group in particular, contributed notably to relative performance.

## Availability

| Product name                            | APIR      |
|---|-----------|
| AMP Flexible Lifetime Super             | AMP1601AU |
| AMP Flexible Super - Retirement account | AMP1625AU |
| AMP Flexible Super - Super account      | AMP1616AU |
| CustomSuper                             | AMP1601AU |
| Flexible Lifetime - Allocated Pension   | AMP1637AU |
| SignatureSuper                          | AMP1607AU |
| SignatureSuper Allocated Pension        | AMP1631AU |

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