

Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

31 December 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	6.5
Consumer Staples	11.4
Energy	8.7
Financials inclg Real Estate	18.2
Health Care	12.5
Industrials	8.1
Information Technology	7.3
Materials	3.8
Telecommunication Services	7.0
Utilities	14.4

Regional Allocation	%
Australia & New Zealand	1.3
Emerging Markets	1.5
Europe – ex UK	21.3
Japan	1.9
North America	61.5
Pacific – ex Japan, Australia	--
UK	10.4

Top Holdings	%
AXA SA	1.9
Allianz SE	1.8
Verizon Communications Inc.	1.7
Dominion Energy Inc	1.6
Duke Energy Corporation	1.5
Total SA	1.5
Las Vegas Sands Corp.	1.5
FirstEnergy Corp.	1.5
Snam S.p.A.	1.5
Pfizer Inc.	1.5

Portfolio Summary

- The Fund generated a positive absolute return but underperformed the broader market. Companies within the diversified portfolio continued to grow free cash flow and remained committed to returning cash to shareholders through a combination of cash dividends, share buybacks and debt reduction.
- Epoch expects three themes to be key influences in 2020 and beyond: elevated trade tensions, lower-for-longer interest rates, and an earning driven equity market. Additionally, Epoch expects the current economic expansion, the longest ever recorded in the U.S., to continue through 2020.
- 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 a positive return. Health care followed by financials and consumer staples were among the strongest positive contributors to absolute performance, three sectors which are stalwarts of the portfolio. Industrials also contributed positively. Real estate and energy detracted. By country, the U.K. and the U.S. were the largest positive contributors on an absolute basis, while Canada detracted.

The Fund underperformed the broader market. Information technology was the strongest sector in the benchmark, and the strategy's main detractor to relative returns was its lack of exposure to technology companies that drove the benchmark but pay little or no dividends. The portfolio's overweight to utilities detracted from relative performance this quarter, following strong gains in the previous quarter, though stock selection was positive. Strong stock selection in consumer staples contributed positively to relative results, largely driven by outperformance in the tobacco holdings. Stock selection in industrials also contributed strongly. From a country perspective, stock selection in the U.S. detracted from relative performance, whereas stock selection in Germany and the U.K. contributed positively, as well as general currency movements.

Among the largest individual positive contributors to absolute performance were Altria and Munich Reinsurance. Among the largest individual detractors were Welltower and Duke Energy.

Market Commentary

Stocks rose on optimism over a U.S.-China trade deal, easier monetary policy in the U.S., earnings that were better than consensus expectations and hopes that the worst of the global slowdown was over. Nearly all countries had gains. Markets were sensitive to any news on trade, and trade developments were mostly positive. The U.S. and China closed in on a "Phase One" deal while the Trump administration chose not to impose tariffs on European cars by its mid-November deadline. The Federal Reserve delivered its third interest rate cut since July but signalled it was done lowering rates unless it saw signs of material weakness in the economy.

Outlook

Epoch expects three themes to be key influences in 2020 and beyond: elevated trade tensions, lower-for-longer interest rates, and an earning driven equity market. Additionally, Epoch expects the current economic expansion, the longest ever recorded in the U.S., to continue through 2020.

In light of the above themes, Epoch expects equity returns in the high single digits in 2020. The biggest risk to this view is a recession, which Epoch doesn't view as imminent. In particular, expansions don't just die of old age. They either get killed off by the Fed when it tightens to head off inflation (as occurred in the 1980s), or they end because there has been some huge misallocation of capital leading to an unsustainable investment bubble (tech/telecom in the late 90s, housing in the mid-2000s) that eventually collapses. Today, the Fed is not tightening and there does not appear to be any obvious investment bubble going on.

Finally, 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 can 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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