

Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

31 March 2020

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%	97.1%
Cash	0%	2.9%

Sector Allocation	%
Consumer Discretionary	4.3
Consumer Staples	12.9
Energy	4.8
Financials inclg Real Estate	15.1
Health Care	15.9
Industrials	7.5
Information Technology	9.6
Materials	3.1
Communication Services	7.9
Utilities	16.0

Regional Allocation	%
Australia & New Zealand	0.9
Emerging Markets	1.7
Europe – ex UK	21.7
Japan	2.4
North America	60.9
Pacific – ex Japan, Australia	0.6
UK	8.9

Top Holdings	%
Verizon Communications Inc.	2.3
Microsoft Corporation	2.0
Dominion Energy Inc	1.9
Duke Energy Corporation	1.8
National Grid plc	1.7
Pfizer Inc.	1.7
Snam S.p.A.	1.7
Takeda Pharmaceutical Co. ...	1.6
BAE Systems plc	1.5
Philip Morris International Inc.	1.5

Portfolio Summary

- Historically the strategy has offered strong downside protection, but so far that has not been the case during the fastest-arriving bear market in history, as typically defensive sectors have not held up as strongly as in the past and dividend paying companies have been out of favor with investors.
- Given this challenging market environment, Epoch expects dividends to be less robust than they were during the GFC, especially in Europe. However, some companies will continue to generate material cash flows in the current environment while others might have entered this period with ample liquidity and/or have the balance sheet capacity to sustain the distributions during a temporary hit to demand.
- Epoch remains highly confident it can continue to deliver attractive dividend income from a diversified portfolio of high-quality equities.

Investment Option Commentary

The Fund posted a negative return during the challenging quarter. Historically the strategy has offered strong downside protection, but so far that has not been the case during the fastest-arriving bear market in history, as typically defensive sectors have not held up as strongly as in the past and dividend paying companies have been out of favor with investors. Information technology was one of the strongest sectors in the benchmark and a lack of exposure to technology companies that pay little or no dividends was one of the strategy's main detractors. Stock selection in real estate was another main detractor, as shutdowns, social distancing rules and quarantines across the world had a devastating effect on businesses, which fueled concern for commercial real estate operators and landlords as tenants sought rent relief. Energy was the worst performing sector in the benchmark and an overweight in the strategy hurt relative performance. Epoch believes the current energy holdings have strong balance sheets and the capacity to protect the dividends through a temporary period of low oil prices. On the positive side, stock selection in industrials, namely holdings in the aerospace & defense industry, plus an underweight to the sector contributed to relative returns. Despite being more volatile during the market correction, an overweight to utilities strongly contributed.

Among the largest individual positive contributors to absolute performance were Roche and Microsoft. The largest individual detractors were Unibail-Rodamco-Westfield (URW) and AXA. URW delivered a favourable fourth quarter report but shares nevertheless faced selling pressure in early 2020 as concerns built around the spreading COVID-19 pandemic. Downward pressure on the shares intensified in March as more regions adopted strict social distancing guidelines that severely curtailed retail traffic. The lack of visibility around the impact on rental income in the event that retail tenants petition landlords for rent relief made the near-term outlook for the dividend uncertain and Epoch chose to exit.

Market Commentary

All sectors except for health care declined. Energy stocks fared the worst, with the sector falling by a third and the price of oil sliding to an 18-year low. In addition to waning demand as economic activity dropped off, Saudi Arabia said it would increase oil production to raise market share after Russia refused to join other countries in curbing output. Financials also suffered, with banks facing lower rates, potential curbs on buybacks and dividends, and requests for some level of forbearance on loans.

Outlook

Among Epoch's economic scenarios, a V-shaped snapback is the most optimistic. However, it requires three conditions: that the outbreak is quickly suppressed, that policy responses are timely and effective, and that credit markets rapidly normalize. While possible, this is a tall order and requires an awful lot of things to go right. And very little to go wrong. Epoch is especially concerned about all the hidden leverage and the law of unintended consequences. The path out of a crisis is rarely smooth and uneventful. Further, Epoch believes consumers and employees will only gradually return to the malls and offices. For these reasons Epoch believes a more subdued, swoosh-shaped recovery is most likely.

Given this challenging market environment, Epoch expects dividends to be less robust than they were during the GFC, especially in Europe. However, some companies will continue to generate material cash flows in the current environment while others might have entered this period with ample liquidity and/or have the balance sheet capacity to sustain the distributions during a temporary hit to demand. Epoch is assessing risks in the portfolio on a company-by-company basis and have made some changes as a result. Epoch remains highly confident it can continue to deliver attractive dividend income from a diversified portfolio of high-quality equities.

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

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.