# Walter Scott Global Equity

## Quarterly Investment Option Update

30 September 2020

## 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:
www.amp.com.au/performance

## Investment Option Overview

| | |
|---|---|
| **Investment Category** | Global Shares |
| **Suggested Investment timeframe** | 7 years |
| **Relative risk rating** | 6 / High |
| **Investment style** | Growth |
| **Manager style** | Single Manager |

| Asset Allocation | Benchmark (%) | Actual (%) |
|---|---|---|
| Global Shares | 100.00 | 96.95 |
| Cash | 0.00 | 3.05 |

| Sector Allocation | % |
|---|---|
| Information Technology | 31.91 |
| Health Care | 20.43 |
| Consumer Discretionary | 11.41 |
| Consumer Staples | 9.98 |
| Industrials | 9.01 |
| Materials | 4.26 |
| Communication Services | 4.14 |
| Financials | 2.53 |
| Energy | 1.85 |
| Utilities | 1.44 |
| Real Estate | -- |

| Regional Allocation | % |
|---|---|
| North America | 55.46 |
| Europe ex UK | 18.28 |
| Japan | 9.16 |
| United Kingdom | 5.12 |
| Emerging Markets | 4.98 |
| Asia ex Japan | 3.96 |

| Top Holdings | % |
|---|---|
| Taiwan Semiconductor Manufacturing | 4.03 |
| Keyence Corporation | 3.83 |
| Microsoft Corporation | 3.57 |
| MasterCard Inc. | 3.30 |
| Edwards Lifesciences Corporation | 2.96 |
| Adobe Inc. | 2.82 |
| Roche Holdings | 2.61 |
| NIKE Inc. | 2.59 |
| AIA Group | 2.53 |
| Cognizant Technology Solutions | 2.44 |

## Investment Option Commentary

The strategy returned 4.45% (before fees) for the quarter ending September 2020, compared with a return for the Benchmark of 3.78%.

**Taiwan Semiconductor** was among the top individual contributors to performance during the quarter. The company issued a strong set of Q2 results, beating the top end of guidance on all metrics. Encouragingly, Q3 guidance was similarly robust. Management also raised its guidance for the full year and now sees revenue growing from mid-to-high teens to 20%+, which is effectively where the company was prior to the current crisis. Commentary was also positive on the outlook for 2021 and 2022, with long-term tailwinds such as 5G and the Internet of Things continuing to support growth.

**EOG Resources** was among the top individual detractors from performance during the quarter. The company, and the energy sector in general, performed poorly, with the ongoing impact of the COVID-19 pandemic weighing on sentiment, and any hope of a swift recovery in demand to pre-crisis levels long forgotten. The near-term outlook remains highly uncertain. As a result, management at EOG has decided to focus on drilling only those wells that meet the company's investment return criteria, shut in some existing production, and defer drilling of new wells until oil prices recover.

## Market Commentary

Overall, the third quarter of 2020 further burnished the emphatic recovery in global equity prices that has taken place since the lows of March. For much of the period, ongoing monetary support, evidence of recovering economic activity and hopes for a COVID-19 vaccine trumped concerns about renewed US-China tensions and the long-term challenges posed by the pandemic. Although a more cautious tone entered markets in September, this did little to assuage concerns that the disparity between asset prices and the real economy is now so stark as to be unsustainable

## Outlook

Looking ahead to the final quarter of the year, the persistent tensions in US-China relations and the impending US presidential election are likely sources of further volatility. The possibility of an inconclusive result in November has certainly begun to weigh on sentiment. Meanwhile, the resurgence of COVID-19 in Western Europe, and the subsequent reintroduction of social restrictions, serves as a reminder that it is premature to suggest the current crisis is coming to end. The future course of the disease is the subject of significant speculation, with numerous potential scenarios touted. In truth, nobody can predict with any degree of confidence how this will play out. This, in turn, leaves equity markets exposed to a wide range of outcomes, some positive, many far less so. Are equities priced appropriately for this level of uncertainty in the short term? Walter Scott suspect not. Over the medium term, however, Walter Scott believe that equities remain the asset class best placed to capture the fruits of a sustained economic recovery. Experience shows that a disciplined focus on buying and holding attractively valued companies capable of delivering sustainable growth can deliver excess returns for investors, irrespective of events or changes in sentiment that might impact markets over any short-term period.

## 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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