

# Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

31 March 2021

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

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	7 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100	97.3
Cash	0	2.7

Sector Allocation	%
Consumer Discretionary	6.6
Consumer Staples	10.8
Energy	4.8
Financials inclg Real Estate	18.0
Health Care	12.2
Industrials	8.2
Information Technology	14.8
Materials	4.9
Communication Services	7.8
Utilities	9.3

Regional Allocation	%
Australia & New Zealand	0.0
Emerging Markets	3.4
Europe – ex UK	20.4
Japan	2.7
North America	64.0
Pacific – ex Japan, Australia	0.6
UK	6.4

Top Holdings	%
Allianz SE	1.8
AbbVie, Inc.	1.7
Taiwan Semiconductor	1.7
Microsoft Corporation	1.7
Nutrien Ltd.	1.7
Samsung Electronics Co.	1.7
Verizon Communications	1.6
KLA Corporation	1.6
Iron Mountain Inc	1.5
International Business Machines	1.5

## Portfolio Summary

- The portfolio posted a strong positive return for the first quarter. All sectors contributed to performance on an absolute basis, with financials being the strongest contributor.
- The U.S. economy is expected to grow mid-single digits this year as economic momentum picks up, which should provide a strong tailwind for the global economic recovery. This should be favourable for business activity and continue to benefit the high-quality companies owned in the Shareholder Yield portfolio that generate strong levels of free cash flow and return it to shareholders through dividends, share repurchases and debt reduction.

## Investment Option Commentary

The portfolio posted a strong positive return for the first quarter. All sectors contributed to performance on an absolute basis. Financials was the strongest contributor, as the strategy's exposure to banks benefitted from a steeper yield curve. While no sectors detracted, health care and utilities lagged the strong contribution by other sectors. By country, the U.S. contributed strongly along with Canada and Germany while Switzerland modestly detracted.

It was a solid quarter for the strategy in relative terms, helped overall by strong stock selection across most sectors. Stock selection in information technology contributed positively, and consumer discretionary also helped due to strong performance of one of the strategy's apparel holdings and not owning a large ecommerce company. Stock selection in consumer staples also contributed positively, though this effect was slightly reduced due to an overweight. On the other hand, stock selection in communication services detracted as a result of strong performance from select interactive media & services companies which are outside of the strategy's investable universe.

By country, strong stock selection in the U.S. contributed positively while stock selection in the U.K. modestly detracted. Among the largest individual positive contributors to absolute performance were KLA Corp. and MetLife with the largest individual detractors being Apple and Unilever. Positions in Telenor and Toyota were initiated during the period and positions in Michelin and Atlas Copco were closed. The fund exited both Michelin, the second largest tire manufacturer in the world, and Atlas Copco, a global industrial machinery company based in Sweden, to fund other shareholder yield opportunities.

## Market Commentary

Stocks advanced as investors weighed the anticipation of monetary and fiscal policies supporting an economic rebound against rising bond yields and concerns about inflation. Energy stocks and financials led the market as oil prices rebounded and banks benefited from a steeper yield curve and a jump in acquisitions and SPAC mergers. The information technology sector underperformed, as companies in that sector with elevated valuations were pressured by higher bond yields. The consumer staples, utilities and health care sectors also lagged.

Job creation picked up in the U.S., especially in the services sector, but jobs remained well below their peak in February 2020. Factories in Europe and Japan reported a pickup in activity even as the service sector continued to shrink. The eurozone economy slipped into a double-dip contraction. Italy, long the "sick man of Europe," outperformed. Japan, on the other hand, registered strong growth in the final quarter of 2020, raising hopes for a "V-shaped" recovery. Business sentiment also rebounded despite a renewed wave of COVID infections. China registered an official growth rate of 6.5% in the fourth quarter and was one of the few countries to register growth in 2020. The country is targeting a 6% growth rate for 2021.

## Outlook

The global macro-outlook continues to improve, reflecting progress with COVID-19 and the vaccine rollout along with the impact of significant, ongoing monetary and fiscal stimulus. The fund is increasingly hopeful that herd immunity in the U.S. will be reached sometime later this year. While other countries are further behind and facing more challenges, the fund remains optimistic that progress will continue and the overall global economy will recover.

Consumers and businesses are gaining confidence as economies continue to reopen in most countries. It has become apparent that the recovery will not be uniform as some countries have faced setbacks. The U.S. economy is expected to grow mid-single digits this year as economic momentum picks up, which should provide a strong tailwind for the global economic recovery. This should be favourable for business activity and continue to benefit the high-quality companies owned in the Shareholder Yield portfolio that generate strong levels of free cash flow and return it to shareholders through dividends, share repurchases and debt reduction.

## Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP2026AU
AMP Flexible Super - Retirement	AMP2021AU
CustomSuper	AMP1996AU
Flexible Lifetime - Super	AMP1996AU
Flexible Lifetime - Allocated Pension	AMP2001AU
Flexible Lifetime - Investments (Series 2)	AMP2033AU**
SignatureSuper	AMP2006AU
SignatureSuper - Allocated Pension	AMP2013AU

\*\*Closed to new and existing investors

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