

# Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 September 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>	3 years
<b>Relative risk rating</b>	7 / Very high
<b>Investment style</b>	Value
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	97.94%
Cash	0%	2.06%

Sector Allocation	%
Consumer Discretionary	7.1
Consumer Staples	10.0
Energy	4.6
Financials inclg Real Estate	18.5
Health Care	11.8
Industrials	9.2
Information Technology	15.4
Materials	5.1
Communication Services	7.6
Utilities	8.9

Regional Allocation	%
Australia & New Zealand	0.0
Emerging Markets	2.7
Europe – ex UK	20.6
Japan	2.4
North America	65.7
Pacific – ex Japan, Australia	0.5
UK	6.3

Top Holdings	%
Microsoft Corporation	2.0
Nutrien Ltd.	1.9
Analog Devices Inc	1.7
Broadcom Inc	1.7
AbbVie Inc	1.7
International Business Machines Corp	1.5
Iron Mountain Inc	1.5
Allianz SE	1.5
Metlife Inc	1.5
Restaurant Brands International Inc	1.5

## Portfolio Summary

- Equity markets rose to record highs and then fell, ending flat for the period.
- The Fund posted a positive return for the third quarter. Almost all sectors contributed to performance on an absolute basis.

## Investment Option Commentary

The Fund posted a positive return of 1.9% for the third quarter. Almost all sectors contributed to performance on an absolute basis.

Good returns for portfolio holdings in financials, information technology and utilities led to some of the largest contributions on the sector level and were broad-based across industries. On the negative side, consumer discretionary slightly detracted due to a mix of positions across subsectors. By country, the U.S. and Canada contributed the most while Korea detracted.

The Fund lagged the broad-market benchmark for the quarter, although it outperformed the dividend-paying universe represented by the MSCI World High Dividend Index. The shortfall in relative returns was due to underperformance of a few semiconductor holdings along with certain large software and hardware stocks that performed well but are underweight in the portfolio. Several pharmaceutical holdings also detracted as did not owning select interactive media and services and entertainment companies that are outside of the fund's investable universe because they do not pay dividends.

On the positive side, stock selection in materials aided returns driven by strong performance from one of the fund's agrochemical holdings. On a country basis, the U.S. and Germany detracted while Canada modestly contributed.

## Market Commentary

Equity markets rose to record highs and then fell, ending flat for the period. Stocks benefited from a powerful earnings recovery. As the quarter progressed, however, concerns grew about the rapid spread of the Delta variant, snarls in global supply chains, and inflation that appeared less "transitory" than initially believed. Concerns about the U.S. debt ceiling along with the potential default of Chinese property developer Evergrande spooked markets late in the quarter. Market leadership flip-flopped between growth and value over the period. Overall, financials, information technology and energy had the best returns while materials, industrials and consumer staples had the largest losses.

Higher prices threatened to pressure profit margins, nudge bond yields upward and force central banks to be less accommodative sooner than expected. The annual inflation rate rose to 5.4% in the U.S. and 3.4% in the euro zone. With the global economy growing above trend, central banks began laying the groundwork for reining in ultra-loose monetary policies. The Federal Reserve signalled it could start reversing its pandemic stimulus programs in November and would likely raise interest rates next year.

## Outlook

The near-term macro outlook remains supportive of equity markets, albeit less so than earlier this year. Global economies continue to re-open, although unevenly due to varying vaccination rates and experience with the delta variant of COVID-19. Epoch continue to hold the view that the path for long-term interest rates is more likely to be modestly higher in the months ahead rather than lower, reflecting an extended period of solid economic growth.

The constructive economic environment is positive for cash flow generation and shareholder distributions. Earnings growth has been strong for several of the fund's holdings and companies around the world continue to raise their dividends and resume share repurchase programs. Market participation remains broad across sectors, industries and geographies. Companies that provide meaningful distributions to shareholders should also be more resilient than longer duration stocks in the face of potential pressure on valuations from higher interest rates. Epoch remain focused on those companies that can generate free cash flow and have managements that have proven they can allocate cash effectively. In the current environment, Shareholder Yield portfolios should deliver good absolute and relative returns, with consistent and attractive dividend income, lower-than-market volatility, and upside participation coupled with downside protection.

## 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

\*\*Closed to new and existing investors

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)

Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)

Phone: 131 267



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