

# Walter Scott Global Equity

Quarterly Investment Option Update

30 September 2021

## Aim and Strategy

Aims to achieve a long-term return (before fees and

|                                       |                |
|---------------------------------------|----------------|
| <b>Investment Category</b>            | Global Shares  |
| <b>Suggested Investment timeframe</b> | 7 years        |
| <b>Relative risk rating</b>           | 7 / Very high  |
| <b>Investment style</b>               | Growth         |
| <b>Manager style</b>                  | Single Manager |

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 will not invest in 'tobacco' securities as defined by the Global Industry Classification Standards (GICS) or 'controversial weapons' securities as defined by MSCI. Inc. 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. Country and sector exposures are a consequence of the search for what are in Walter Scott's view 'the best companies operating in the best sectors'. As a result of this investment approach, the structure of the portfolio is likely to differ substantially from the composition of the benchmark. 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 [amp.com.au/performance](http://amp.com.au/performance)

## Investment Option Overview

| Asset Allocation | Benchmark (%) | Actual (%) |
|------------------|---------------|------------|
| Global Shares    | 100.00        | 97.65      |
| Cash             | 0.00          | 2.35       |

| Sector Allocation      | %     |
|------------------------|-------|
| Information Technology | 34.83 |
| Health Care            | 17.12 |
| Consumer Discretionary | 12.69 |
| Industrials            | 11.03 |
| Consumer Staples       | 8.82  |
| Communication Services | 5.24  |
| Materials              | 4.37  |
| Financials             | 3.08  |
| Utilities              | 0.46  |
| Energy                 | 0.00  |
| Real Estate            | 0.00  |

| Regional Allocation | %     |
|---------------------|-------|
| North America       | 58.60 |
| Europe ex UK        | 17.62 |
| Japan               | 8.98  |
| United Kingdom      | 5.59  |
| Asia ex Japan       | 3.76  |
| Emerging Markets    | 3.10  |

| Top Holdings                       | %    |
|------------------------------------|------|
| Microsoft Corp                     | 3.87 |
| Keyence Corp                       | 3.66 |
| Alphabet Inc                       | 3.28 |
| Taiwan Semiconductor Manufacturing | 3.10 |
| Edwards Lifesciences Corp          | 2.84 |
| Mastercard Inc                     | 2.75 |
| Adobe Inc                          | 2.67 |
| Novo Nordisk A/S                   | 2.61 |
| Intuitive Surgical Inc             | 2.52 |
| Nike Inc                           | 2.42 |

## Investment Option Commentary

**Keyence**, the largest individual contributor over the quarter, delivered a strong set of results, with revenues coming in 10% ahead of consensus. Indeed, the company set a new quarterly-high for sales. This serves to highlight the strength of the current recovery, which is in evidence across all geographies and industries. High-end products, including 3D vision, measuring systems and precision laser measurement systems, made a strong contribution to margins. Overall, growth is being driven by all sectors although the electronics and semiconductor markets in Japan were notably buoyant.

Cost inflation weighed on **KONE**, the largest individual detractor in Q3, during the quarter. As a result of rising prices of raw materials and logistics, management expects inflation to prove a €175 million headwind (previously €100 million) in 2021. However, when broken down, the majority of the increases are expected to prove temporary. Against this backdrop, KONE delivered a steady set of quarterly results, although higher costs did lead to a slight tightening of revenue guidance and a small moderation in margin guidance.

## Market Commentary

Although the debilitating effects of the COVID-19 Delta variant are still evident in many economies, monetary policy is tilting towards a partial unwinding of the massive stimuli on which investors have binged since the Global Financial Crisis. Proposed reductions in asset purchases by the US Federal Reserve and the European Central Bank were largely taken calmly by investors, but rising inflation has arguably pushed an adjustment of rates further up the policy agenda. The not-unconnected issue of supply chain disruption and material, labour, and component shortages have fostered concerns about growth and corporate margins. Consequently, fears of a slower pace of recovery amidst a potentially tighter monetary environment led to the September shudder, with equities and bond markets unwinding the gains of earlier in the quarter. Perhaps some of the price and disruption issues, as central banks are hoping, will be resolved by the further normalisation of economic activity, but they are issues which have featured more frequently in corporate narratives. Adding to market angst this quarter were the events in China. An increasingly interventionist Xi administration has shown further appetite for reining in some of the perceived excesses of, and power wielded by, some privately controlled sectors of the Chinese economy on the grounds of economic rebalancing and promoting social good.

## Outlook

Over the coming months, concerns over fading economic momentum (with inflation remaining potentially entrenched), ongoing supply chain disruption, and the prospect of a less-benign monetary environment, may prove to be an ideal recipe for equity market turbulence. However, for the long-term investor turbulence brings opportunity. Such an eventuality will not alter Walter Scott's investment approach nor indeed deflects the investment team's confidence in the ability of the companies in the portfolio to deliver strong rates of return over the long-term. They are businesses which have shown resilience over the course of the pandemic, adapting well to shifting macroeconomic sands while continuing to invest and innovate. Although challenges lie ahead, they remain well placed to benefit from growth trends that will drive their earnings, and therefore portfolio returns, for years to come.

## 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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