Walter Scott Global Equity

Quarterly Investment Option Update

31 December 2021

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 option 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 option 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 amp.com.au/performance

Investment Option Overview

Investment Category	Global Shares
Suggested Investment timeframe	7 years
Relative risk rating	7 / Very High
Investment style	Growth
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100.00	98.36
Cash	0.00	1.64

Sector Allocation	%
Information Technology	35.66
Health Care	17.22
Consumer Discretionary	12.61
Industrials	12.04
Consumer Staples	7.80
Communication Services	4.96
Materials	4.47
Financials	3.61
Energy	0.00
Utilities	0.00
Real Estate	0.00

Regional Allocation	%
North America	60.58
Europe ex UK	17.99
Japan	8.53
United Kingdom	5.37
Emerging Markets	3.09
Asia ex Japan	2.80

Top Holdings	%
Microsoft Corp	4.28
Keyence Corp	3.54
Alphabet Inc	3.29
Taiwan Semiconductor Manufacturing	3.09
Edwards Lifesciences Corp	3.01
Novo Nordisk A/S	2.80
Automatic Data Processing	2.64
Mastercard Inc	2.63
Nike Inc	2.57
Amphenol Corp	2.56

Investment Option Commentary

Microsoft, the largest individual contributor over the quarter, reported good results for the first quarter of FY2022, with a 22% increase in revenues and a 28% increase in operating profit. Commercial Cloud revenue grew 36% to $20.7 billion, with balanced growth across all key cloud businesses. Microsoft remains a key beneficiary of secular growth trends in public cloud, gaming, collaboration/productivity tools and cyber security.

A third-quarter trading update showed that growth at **AIA Group**, the largest individual detractor during the quarter, had slowed as a result of the Delta Covid-19 variant surge across Asia. The key Value of New Business metric lost momentum compared to the first half of 2021, which management attributed to the spread of Covid in several markets, including mainland China, Singapore, Vietnam and Malaysia. Despite this, the value of new business (excluding Hong Kong) for the first nine months of the year is up on pre-pandemic levels. Mainland China was the largest contributor, with Thailand also performing very well.

Market Commentary

Global equity markets, with a few notable Asian exceptions, ended the year on a firm note, as investors celebrated the ongoing, if uneven, recovery in economies and the continued upswing in corporate earnings. However, the quarter was not without a degree of volatility, as the emergence of the latest Covid variant fuelled concerns that a reintroduction of widespread lockdowns might impinge on global recovery. So far, most governments have shown only modest appetite for embarking on the draconian containment measures that derailed economic growth in 2020, given initial indications that 'Omicron' may turn out to be a weaker strain, and in view of lockdown fatigue amongst electorates. However, supply chain disruption and the associated issue of rising costs have continued to muddy the economic waters with some central banks tilting towards monetary tightening as producer and consumer prices in several developed economies reach levels not seen since the 1990s. "I think it's a good time to retire that word", declared Chairman Jerome Powell in November, expunging the 'transitory' comment from hitherto dovish Federal Reserve communiques. Central banks are conceding that inflation may be stronger for longer, but there remains the belief that pandemic-induced supply/demand mismatches will eventually be ironed out, and that current price distortions will ease. Consequently, most equity markets maintained their composure in the belief that a modestly tighter monetary environment is appropriate given the current pace of economic growth and expectations that inflation will ease. However, in the event that the inflation genie shows reluctance towards being put back in its bottle, it is possible that central banks may hurry to get ahead of the curve, and history has shown that at significant turning points in monetary policy, the scope for policy error can increase. A virus-induced ebbing of economic growth in tandem with significant monetary tightening would not represent the ideal backdrop for equities.

Outlook

At the start of the new year, concerns linger surrounding the extent of the impact of the latest Covid variant on economic growth and supply chains. So far, it appears to be a weaker strain, and may allow governments to shy away from draconian containment measures. The persistence of inflation will continue to be a test for economies and corporate profitability, although it is likely that some of the cost pressures will ease as supply and demand mismatches are eventually resolved. Nonetheless, a more aggressive US Federal Reserve may test global sentiment as well as equity valuations. However, macroeconomic or market guesswork play no part in the creation of Walter Scott's portfolio. They are the result of the investment team's research efforts to find market-leading, financially strong, well-managed businesses that are resilient, and well placed to benefit from long-term growth trends. Walter Scott remains confident in the ability of the companies held to deliver excellent returns in the years ahead.

Availability

Product name	APIR
SignatureSuper*	AMP1607AU
SignatureSuper Allocated Pension*	AMP1631AU

*Closed to new investors

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