Walter Scott Global Equity

Quarterly Investment Option Update

31-March-2017

Availability

Product name	APIR
AMP Flexible Super – Choice (Retirement)	AMP1625AU
AMP Flexible Super – Choice (Super)	AMP1616AU
CustomSuper	AMP1601AU
Flexible Lifetime – Allocated Pension	AMP1637AU
Flexible Lifetime – Super	AMP1601AU
SignatureSuper	AMP1607AU
SignatureSuper – Allocated Pension	AMP1631AU

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit **www.amp.com.au**. You can also view the last investment performance specific to you by visiting your My Portfolio account.

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Overview

Aim & Strategy: To achieve a long term (at least 5 to 7 years) total return before fees and expenses that exceeds the MSCI World ex-Australia Index in Australian dollars unhedged with net dividends re-invested. The portfolio invests primarily in shares of companies listed on stock exchanges around the world, but may also have some exposure to cash and derivatives (e.g. foreign exchange contracts to facilitate settlement of stock purchases). Derivatives will not be used to hedge, leverage or gear the portfolio. The portfolio adopts a 'buy and hold' strategy (approximately 40 to 60 stocks) to allow time for a company's earnings growth to translate into strong share price performance for investors. On average, 15% to 25% of stocks held will be turned over each year. Unlike a top-down investment approach which allocates stocks to country or industry sectors, the portfolio is constructed with a primary focus on stock-based analysis (bottom-up investment approach). As a result, both sector and geographic allocation will generally be significantly different from benchmark indices. As exposure to international assets is not hedged back to Australian dollars, investors will also be exposed to movements in exchange rates. Exposure to derivatives is not reflected in the ranges.

Investment category: Global Equities

Suggested Investment Timeframe: 5 – 7 years

Relative Risk Rating: High

Investment Style: Growth

Asset Allocation	Actual (%)	Range (%)
Global Equities	97.41%	90-100%
Cash	2.59%	0-10%

Holdings

Industry Exposure	%
Consumer Discretionary	18.57%
Consumer Staples	7.70%
Energy	8.27%
Financials	2.48%
Health Care	19.46%
Industrials	6.43%
Information Technology	24.96%
Materials	4.68%
Real Estate	0.00%
Telecommunication Services	1.86%
Utilities	3.00%

Regional Exposure	%
Asia Ex Japan	5.47%
Europe Ex Uk	17.59%
Japan	7.84%
North America	55.30%
United Kingdom	5.06%
Emerging Markets	6.14%

Top Ten Securities	%
Adobe Systems Inc	2.98%
Keyence Corp	2.67%
Microsoft Corp	2.59%
Eog Resources Inc	2.52%
Aia Group Ltd	2.48%
Lvmh Moet Hennessy	2.44%
Taiwan Semicon Man	2.42%
Disney (Walt) Co	2.37%
Intuitive Surgical Inc	2.32%
Bard (C.R.) Inc	2.32%

Market Commentary

The Walter Scott Global Equity Fund outperformed the MSCI World ex Australia Index in $A unhedged during the March quarter.

At a sector level, the Fund's Information Technology stocks were the best absolute performers with Adobe Systems the strongest individual holding in the Fund. Health Care stocks were also notably strong, with Intuitive Surgical, Cerner and Roche Holdings contributing positively. From a relative viewpoint, minimal exposure to the financial sector improved performance, as financials relinquished some of their late 2016 gains. The consumer discretionary sector was the primary relative detractor.

From a regional perspective, US companies were the standout absolute contributor to the Fund's first quarter return. In relative terms the Fund's Japanese holdings performed the strongest, with Fanuc & Keyence notably strong. In relative terms, the Fund's Canadian and Emerging markets stocks lagged their respective indices and were the relative detractors of note.

Currency movements detracted around five percentage points to both Fund and index return, largely due to the Australian dollar strengthening versus the US dollar.

The main stock contributors to Fund performance on an absolute basis over the quarter were Adobe Systems, Intuitive Surgical, Fanuc, Keyence, and Oracle. Detracting from performance of the Fund on an absolute basis was Schlumberger, EOG Resources, Suncor Energy, Tractor Supply, and CNOOC.

Investment Option Commentary

Stock Comments

Adobe Systems showed signs of a strong start to the year. Management's guidance suggests that current momentum across the business is strong and that its marketing cloud business is evolving into a comprehensive platform solution. Adobe's Digital Media business (68% of sales) grew its revenues 22% year-on-year with the division's annualised recurring revenues growing 36% year-on-year, primarily driven by the continued conversion of its installed base to the cloud model plus strong retention rates for subscribers renewing without promotional pricing.

2017 has been a busy year for IT outsourcing company Cognizant Technology Solutions thus far. With the new Trump presidency, the topic of immigration is generating much noise and for a company such as Cognizant, for whom the US is its most important market, this has been the key overhang of late. Cognizant brings thousands of well-educated Indian employees into the country every year under highly-skilled foreign worker visas. This system allows the company to reduce its clients' overall IT costs but, more importantly, provides a solution to a significant shortage of qualified local talent. The most likely scenario appears to be a manageable increase in costs for those companies that are heavily reliant on foreign worker visas.

Gilead Sciences released its full-year results in February, with all eyes on the biotech company's guidance, in particular that of its Hepatitis C business, following several quarters of revenue decline. Despite reporting better than-expected results for 2016, the company's 2017 guidance fell short. Despite this, Walter Scott believe the company, as a whole, is currently undervalued, due to the strong cash flow generated by the Hepatitis C part of the business, and it's promising pipeline, particularly in NASH (non-alcoholic steatohepatitis).

In January, Schlumberger reported its first quarter of revenue growth after seven consecutive declines. The improvement was largely driven by the North American market where there was a 30% quarter-on-quarter demand growth for certain drilling products.

During February CNOOC announced its annual business strategy. Having faced a number of headwinds in recent years, most notably the lower oil price, there was little surprise that production was down 4% last year to 476m barrels a day (b/d). The company expects to continue into 2017, with a production target of 450-460m b/d. More positively for the first time since the downturn in the oil price, CNOOC plans to increase capital expenditure dramatically to 60-70bn yuan from 50bn yuan having cut it in the previous two years.

Portfolio Activity

Following the strong rally in the Komatsu share price during 2016, the decision was taken to sell the position. Whilst the outlook for infrastructure build globally is likely to remain supportive of Komatsu's construction business, the company remains beholden to commodity prices. Through the acquisition of Joy Global, Komatsu has significantly increased its exposure to the mining sector and coal in particular. Whilst Walter Scott retain a high level of respect for the company's management team, Walter Scott do not feel comfortable with this increased commodity exposure. The team at Walter Scott also believe the shares are already discounting a sustained recovery in commodity prices.

Outlook

At the beginning of the year hope was high on the investor agenda across global equity markets. The dominant US equity market set the tone with growing expectations around a multitude of pro-business policies that might come under the Trump administration. Against that backdrop, markets have continued to march upwards. But there is cause for circumspection. Interest rate rises loom large with untold implications for a still-leveraged financial world. Current levels of economic growth around the world are far from inspiring and valuation levels are undeniably stretched. We are eight years into a bull market. Of course, markets may continue to rise but the case for selectivity is as strong as ever.