Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

To generate superior risk adjusted returns with a dividend yield that exceeds the wdividend 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.

Regional Allocation	%
Australia & New Zealand	2.5
Emerging Markets	0.6
Europe – ex UK	26.7
Japan	--
North America	52.5
Pacific – ex Japan, Australia	1.1
UK	15.3

Sector Allocation	%
Consumer Discretionary	4.4
Consumer Staples	12.1
Energy	10.8
Financials inclg Real Estate	20.1
Health Care	10.5
Industrials	7.0
Information Technology	5.8
Materials	2.8
Telecommunication Services	11.5
Utilities	13.7

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Value

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	98.7%
Cash	0%	1.3%

Top Holdings	%
AXA SA	1.9
Verizon Communications Inc.	1.8
Astrazeneca PLC Sponsored AI	1.8
Total SA	1.8
Allianz SE	1.7
Munich Reinsurance Company	1.7
GlaxoSmithKline plc	1.7
Royal Dutch Shell Sponsored AI	1.7
BCE Inc.	1.6
Altria Group Inc.	1.6

Portfolio Summary

- As has been the case throughout 2018, many high-quality stocks that pay substantial dividends and other forms of shareholder yield have not kept pace with the overall gains in information technology and e-commerce companies.
- Monetary policies are becoming less accommodative. Higher policy rates will be a headwind for valuation multiples. With valuation multiples no longer supported by easy money, equity gains will be dependent on the underlying fundamentals of individual companies. Epoch believes its investment approach is well suited to this environment.

Investment Option Commentary

Companies within the diversified portfolio continued to grow free cash flow and remained committed to consistently returning cash to shareholders through a combination of cash dividends, share buybacks and debt reduction. Health care, followed by financials and information technology were among the largest positive contributors to absolute results, while consumer discretionary and real estate detracted.

As has been the case throughout 2018, many high-quality stocks that pay substantial dividends and other forms of shareholder yield have not kept pace with the overall gains in information technology and e-commerce companies. These two "hot" areas, which are underrepresented in the Fund, are dominated by companies that are reinvesting nearly all free cash flow back into the business and have dividend yields that are quite low or nonexistent. Companies that can pay and grow dividends, buy back shares and pay down debt tend to be mature and well established, with the ability to withstand downturns in markets and economies and steadily grow their business throughout business cycles. The other main detractor was the Fund's relatively high weighting in the utilities sector.

On the positive side, stock selection was beneficial to returns in several areas, especially financials. The Fund's dividend paying holdings in the information technology sector including Qualcomm and Cisco fared better than average. Also, the Fund's pharmaceutical holdings had strong absolute returns. Pfizer, AstraZeneca, Merck and Novartis all had double digit returns. Among the largest individual detractors were Las Vegas Sands and Vodafone Group.

Market Commentary

Stocks rose, with strong returns in the U.S. and modest gains elsewhere. Emerging markets dipped into bear market territory from their January highs. The best results came from health care, information technology, industrials and telecommunication services. Weak results came from the real estate, materials and utilities sectors. Energy stocks also lagged despite Brent crude edging over $80 per barrel, a four year high.

U.S. stocks touched all-time highs, shrugging off trade tensions and benefitting from exceptional profit growth. Corporate profits jumped 16% year-on-year according to the Commerce Department, helped by tax cuts and a robust domestic economy. There were, however, notable stumbles. Investors lost confidence in social media stocks as some reported disappointing quarterly results along with cautious outlooks for growth. Information technology stocks generally experienced an increase in volatility in an environment of heightened regulatory scrutiny. Specific companies hurt by tariffs also made headlines.

In Europe, quarterly profits grew but lagged those of U.S. counterparts while trade tensions and the selloff in emerging markets dampened sentiment.

Outlook

Stocks have the support of a robust global economy, policy rates that remain negative in real terms, and the broad adoption of technology that reduces the need for capital and labour. While the economic underpinnings for equities in developed markets remain supportive, several threats loom on the horizon. While tariffs thus far have only had limited impact, an escalating trade war could inhibit economic growth, disrupt global supply chains and dent the profit margins of manufacturers. More importantly for stocks, monetary policies are becoming less accommodative. Higher policy rates will be a headwind for valuation multiples. Just as quantitative easing supported a broad-based expansion of valuation multiples, Epoch expects quantitative tightening will do the opposite. Fast growing U.S. budget deficits and a wave of corporate bonds maturing could add additional upward pressure on interest rates. With valuation multiples no longer supported by easy money, equity gains will be dependent on the underlying fundamentals of individual companies. Epoch believes its investment approach is well suited to this environment.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1996
AMP Flexible Super - Retirement	AMP2021
AMP Flexible Super - Super	AMP2026
CustomSuper	AMP1996
Flexible Lifetime - Allocated	AMP2001
Flexible Lifetime Investment	AMP2033
SignatureSuper	AMP2006
SignatureSuper Allocated Pension	AMP2013

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