

Walter Scott Global Equity

Quarterly Investment Option Update

30 September 2018

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 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 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

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100.00	98.03
Cash	0.00	1.97

Regional Allocation	%
North America	56.60
Europe ex UK	17.92
Japan	7.45
Asia ex Japan	5.69
United Kingdom	5.39
Emerging markets	4.98

Top Holdings	%
Edwards Lifesciences Corp	3.11
Adobe Systems Inc	3.00
Mastercard Inc	2.95
Keyence Corp	2.88
Taiwan Semicon Man	2.88
Aia Group Ltd	2.77
Eog Resources Inc	2.68
Tjx Companies Inc	2.48
Microsoft Corp	2.33
Amphenol Corp	2.21

Sector Allocation	%
Information technology	26.80
Health care	22.15
Consumer discretionary	13.94
Consumer staples	8.52
Energy	6.67
Industrials	6.44
Communication services	4.34
Materials	3.48
Utilities	2.92
Financials	2.77
Real Estate	0.00

Investment Option Commentary

China Mobile was sold over the period; a decision driven by the upcoming introduction of 5G. Walter Scott expect China to implement a large scale and rapid rollout of 5G infrastructure leading to a significant increase in capital investment for China Mobile. In recent years, regulatory headwinds have significantly dampened China Mobile's profit from the 4G cycle. Walter Scott believe a similar outcome is likely from the upcoming 5G investment.

Edward Lifesciences, the market leader in the treatment of Aortic Stenosis (AS), performed well on positive trial results from competitor Abbott Labs in the mitral valve space, along with takeover rumors. The company reported decent results in July, and also announced a new programme to target mitral valve disease. However, while these developments were a positive for Edwards, it appears that the main reason for the stock's 20% rise in September was speculation that Johnson & Johnson may be interested in a potential acquisition of Edwards.

TJX, the world's leading off-price retailer, performed well over the quarter, helped by continued healthy same-store sales (SSS) growth. Quarterly results were released in August, with the company posting a very impressive 6% SSS figure - the highest in some time and well above management's guidance of 1-2%. The recent good performance follows a weak 2017, during which the stock was held back by structural concerns around declining foot traffic in bricks and mortar stores.

Market Commentary

The Walter Scott Global Equity Fund returned 9.87% for the quarter ending September 2018, compared with a return for the MSCI World ex Australia Index of 7.35%.

Technology was the standout sector during the quarter, delivering strong absolute returns and was a key driver of the portfolio's positive relative return. Stock selection was the main component of the technology sector's positive relative contribution, with Taiwan Semiconductor, Microsoft, Oracle and Cognex performing well. The portfolio benefitted from greater exposure to the healthcare sector, which was the strongest performing sector in the index, but the portfolio's healthcare stocks lagged their sector index and offset part of this gain. Waters and Novo Nordisk were the weakest healthcare holdings within the portfolio, but both still delivered positive returns. Consumer discretionary stocks within the portfolio outperformed their sector peers, led by TJX Companies, Starbucks and Walt Disney. As with the prior quarter, the low exposure to financials within the portfolio helped relative performance, with the sector lagging the broader market.

From a regional perspective, the portfolio's US stocks performed better than average and were the most significant relative contributors. Emerging markets companies (Taiwan Semiconductor and CNOOC) were amongst the top performers, contributing notably to both absolute and relative return.

Outlook

The world will continue to progress and change at a rapid pace, partly driven by the forces of digitalisation and globalisation. Granted the advances will not necessarily be uniform, but the material conditions of life for most people in many countries will improve significantly in the years ahead. Nearer term, and with regard to the equity market environment, Walter Scott's view is that as liquidity conditions tighten over the next year or so, the proliferation of indexed equity products will reach its peak. This 'over-indexed' market will represent the ideal hunting ground for the astute long-term stock picker.

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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