

# Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

31 December 2018

## Aim and Strategy

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

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au](http://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%	98.0%
Cash	0%	2.0%

Regional Allocation	%
Australia & New Zealand	2.2
Emerging Markets	0.6
Europe – ex UK	24.7
Japan	--
North America	54.8
Pacific – ex Japan, Australia	1.1
UK	14.7

Sector Allocation	%
Communication Services	11.2
Consumer Discretionary	3.5
Consumer Staples	12.3
Energy	9.8
Financials inclg Real Estate	19.9
Health Care	11.0
Industrials	6.2
Information Technology	6.4
Materials	2.7
Utilities	15.0

Top Holdings	%
Duke Energy Corporation	1.8
Munich Reinsurance Company	1.8
Verizon Communications Inc.	1.8
Astrazeneca PLC Sponsored....	1.8
BCE Inc.	1.7
Terna S.p.A	1.7
Allianz SE	1.7
AXA SA	1.6
Welltower, Inc.	1.6
Total SA	1.6

## Portfolio Summary

- The fourth quarter was a difficult time period for the markets as well as the Fund. Investors favoured more defensive sectors such as utilities, and the Fund upheld its downside protection.
- As opposed to the first three quarters of the year, when high growth technology companies were in favour, the Fund's underweight to the information technology sector proved beneficial during the fourth quarter as investors revalued momentum driven companies.

## Investment Option Commentary

The fourth quarter was a difficult time period for the markets as well as the Fund. Investors favored more defensive sectors such as utilities, and the Fund upheld its downside protection. An overweight to the utilities sector was the largest positive contributor to relative returns, bolstered by stock selection in the sector. Stock selection in energy, financials and health care also contributed positively to relative results. As opposed to the first three quarters of the year, when high growth technology companies were in favour, the Fund's underweight to the information technology sector proved beneficial during the fourth quarter as investors revalued momentum driven companies. In addition, stock selection in information technology added to relative returns. Lastly, an overweight to the energy sector detracted as the price of oil declined, but favourable stock selection in energy more than offset the effect. Stock selection in consumer staples, industrials and materials detracted from relative results.

Among the largest individual positive contributors to absolute performance were Duke Energy and Welltower while detractors included AXA and Occidental Petroleum.

## Market Commentary

Stocks experienced a sharp downturn, falling by double digits and pulling returns for the quarter into negative territory. Investors grew concerned about a slowing global economy, higher costs pressuring profit margins, tighter monetary policies and the escalating trade dispute between the U.S. and China. Small cap stocks fared worse than large caps. The International Monetary Fund lowered its forecasts for global economic growth, citing rising trade protectionism and instability in emerging markets.

The energy, information technology and industrials sectors had the steepest drops. The only sector to have positive returns was utilities.

The U.S. economy continued to exhibit strength, helped by robust consumer confidence and spending. Housing remained a soft spot. The European Central Bank cut its GDP and inflation forecasts and ended its bond buying program, although it will reinvest maturities for an unspecified period of time. Emerging markets fell less than developed ones in aggregate. Chinese stocks suffered from the trade dispute with the U.S. and from tighter liquidity due to a government crackdown on shadow banking. Brazil reported the only double digit increase among global equity markets, helped by upward revisions to growth estimates and the election of a business friendly government.

## Outlook

Epoch expects three themes to be key influences in 2019 and beyond: tighter monetary policy regimes, trade dynamics and technology.

Epoch is mindful that the quantitative easing, which supported valuations and suppressed volatility, is now moving in the other direction. And industries whose profit margins have benefited from global trade are grappling with setbacks. At the same time, companies that can successfully apply new technologies will be able to operate with less capital. Each of these trends will influence industries and individual companies in markedly different ways. Epoch believes its investment approach is well suited to this environment, where investment returns are more closely linked to company fundamentals. As always, Epoch seeks companies that can generate a growing stream of free cash flow and can allocate that cash effectively for the benefit of shareholders.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1996AU
AMP Flexible Super - Retirement account	AMP2021AU
AMP Flexible Super - Super account	AMP2026AU
CustomSuper	AMP1996AU
Flexible Lifetime - Allocated Pension	AMP2001AU
Flexible Lifetime Investment (Series 2)	AMP2033AU
SignatureSuper	AMP2006AU
SignatureSuper Allocated Pension	AMP2013AU

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