

# Walter Scott Global Equity

## Quarterly Investment Option Update

31 December 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](http://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	97.63
Cash	0.00	2.37

Regional Allocation	%
North America	55.01
Europe ex UK	18.36
Japan	8.14
Asia ex Japan	6.16
United Kingdom	5.45
Emerging markets	4.51

Top Holdings	%
Edwards Lifesciences Corp	3.05
Aia Group Ltd	2.86
Keyence Corp	2.80
Taiwan Semiconductor Manufac	2.68
Starbucks Corp	2.48
Mastercard Inc	2.46
Adobe Inc	2.35
Nike Inc	2.33
Microsoft Corp	2.31
Walt Disney	2.25

Sector Allocation	%
Information technology	24.75
Health care	20.26
Consumer discretionary	16.16
Consumer staples	9.22
Energy	5.52
Industrials	7.59
Communication services	4.36
Materials	3.59
Utilities	3.30
Financials	2.86
Real Estate	0.00

## Investment Option Commentary

SMC Corporation is widely recognised as a leader in motion automation technology with particular strength in pneumatic equipment. After an exceptionally strong 2017, performance of factory automation companies, including SMC, recently came under pressure due to increased concerns over trade tensions and cyclical weakness in electronics-related orders as well as auto-related demand in North America. With strong growth expected to continue over the business cycle, the decision was taken to purchase SMC.

Also during the quarter, Praxair and Linde announced the completion of their merger. Praxair shares held have been swapped into the newly merged entity, Linde PLC.

## Market Commentary

The consumer discretionary sector was the largest contributor to relative performance, aided by the strong performance of Starbucks which was the Fund's best performing stock. Notable contributors to relative performance were the industrials and information technology (IT) sectors. However the Fund's higher-than-benchmark exposure to the IT sector proved the biggest detractor on an absolute basis. As per the previous two quarters, the underexposure to financials was a positive from a relative standpoint. The largest detractor to relative performance was the energy sector, given the decline in global oil prices. The Fund's three energy holdings underperformed what was the worst performing sector in the market, with EOG Resources and Schlumberger falling 38% and 30% respectively. From a regional perspective, Europe ex-UK was the largest contributor to performance, with the healthcare names such as Roche, Novartis and Novo Nordisk showing resilience. Emerging markets, due to CNOOC and Taiwan Semiconductor Manufacturing (TSMC) falling 20% and 14% respectively, was the only region with a noteworthy drag on relative performance.

## Outlook

With the current bull run now in its tenth year, Walter Scott observe that we must be nearer the closing period of this particular market cycle, yet are hesitant to call its end. Despite the stage of the cycle, Walter Scott's approach has and will remain unchanged. Qualitative criteria and quantitative hurdle rates are not dialled up or down depending on market conditions; they are consistently robust, and demanding. 2019 may be characterised by uncertainty. Walter Scott welcome the opportunity that might bring to add to positions or invest in companies that have long been admired but precluded on valuation grounds.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1601AU
AMP Flexible Super - Retirement account	AMP1625AU
P Flexible Super - Super account	AMP1616AU
CustomSuper	AMP1601AU
Flexible Lifetime - Allocated Pension	AMP1637AU
SignatureSuper	AMP1607AU
SignatureSuper Allocated Pension	AMP1631AU

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