Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)

Quarterly Investment Option Update

30 June 2019

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

Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Global Shares	100%	98.3%
Cash	0%	1.7%

Regional Allocation	%
Australia & New Zealand	2.0
Emerging Markets	1.3
Europe – ex UK	23.2
Japan	1.4
North America	58.1
Pacific – ex Japan, Australia	0.7
UK	11.7

Sector Allocation	%
Consumer Discretionary	4.9
Consumer Staples	11.4
Energy	11.5
Financials inclg Real Estate	21.0
Health Care	10.7
Industrials	8.3
Information Technology	6.8
Materials	3.2
Telecommunication Services	7.7
Utilities	12.9

Top Holdings	%
Munich Reinsurance Company	1.9
BCE Inc.	1.8
Allianz SE	1.8
AXA SA	1.8
Welltower, Inc.	1.8
Duke Energy Corporation	1.7
Verizon Communications Inc.	1.7
Entergy Corporation	1.7
Royal Dutch Shell Plc Sponsored	1.6
Altria Group Inc.	1.6

Portfolio Summary

- The Fund underperformed the broader market in the second quarter as equity markets posted gains after the Federal Reserve raised hopes for trimming interest rates. More specifically, the strategy performed as expected as industries and sectors with shareholder yield characteristics within the portfolio, such as consumer staples and utilities, lagged the broader market.
- The Manager continues to focus on companies that find the balance between investing for growth when they can earn above the cost of capital while remaining committed to returning excess free cash flow to shareholders through a combination of dividends, share buybacks and debt reduction.

Investment Option Commentary

The Fund generated positive absolute returns in the second quarter, but lagged the broader market as measured by the MSCI World Ex-Australia Index in $A. The Manager continues to focus on companies that find the balance between investing for growth when they can earn above the cost of capital while remaining committed to returning excess free cash flow to shareholders through a combination of dividends, share buybacks and debt reduction. Financials followed by industrials and utilities were the strongest positive contributors to absolute performance, as investors digested a combination of the potential easing in monetary policy and the continuation of the U.S.-China trade discussions. Consumer staples was the largest notable detractor from absolute returns.

From a relative perspective, the Fund demonstrated upside participation but lagged the broader market, which would be expected in an exceptionally strong market environment. More specifically, the strategy performed as expected as industries and sectors with shareholder yield characteristics within the portfolio, such as consumer staples and utilities, lagged the broader market. The portfolio's exposure to tobacco was the largest detractor from relative performance. Stock selection in information technology and an underweight to the sector also detracted from relative results, as did an overweight to utilities. Stock selection in the financials sector was the strongest positive contributor to relative performance as the Fund's exposure to the insurance sector proved beneficial. Among the largest individual positive contributors to absolute performance were AXA and Lockheed Martin. Among the largest detractors were Imperial Brands and Occidental Petroleum.

Market Commentary

Equity markets provided gains thanks to a rally in June. Stocks were helped by dovish central bank comments, offsetting trade frictions and downgrades to the global economic outlook. Core European countries outperformed while Japan lagged. The best results came from the financials, information technology and consumer discretionary sectors. Energy was the only sector with negative returns amid concerns about oversupply and slowing demand. Real estate also lagged as did the health care sector amid calls of "Medicare for all" by U.S. presidential candidates.

While the world's largest economic blocs – the EU, China and the U.S. – all reported first-quarter growth that was stronger than expected, investors anticipated a moderation in global growth as the year progressed. The IMF cut its global growth forecasts for 2019 and 2020, predicting that advanced economies would slow while emerging markets would become more positive, with an end to crisis conditions in Turkey and Argentina and stabilization in the growth rate in China.

Outlook

Economic growth is moderating across the globe as the current cycle matures, trade frictions begin to take hold and, in the U.S., the boost from the Tax Cuts and Jobs Act fades. Developed economies continue to suffer from a large debt overhang, negligible growth in the workforce and uninspiring productivity gains, although the accuracy with which those gains are measured is open to debate. Trade tensions are likely to remain a market theme and a source of volatility, and the Manager is concerned about a bifurcation in global supply chains and its negative influence on margins.

The economic slowdown, combined with a lack of inflationary pressure, has led central banks to halt plans for policy normalization. The Federal Reserve, the European Central Bank and others, after testing the limits of less accommodative monetary policy in 2018, abruptly changed course in 2019 and appear set to supply interest rate cuts and additional quantitative easing.

The U.S. economy appears relatively robust among developed markets. While slowing, it remains stronger than economies in Europe or Japan, where growth is tepid. The Manager believes its investment approach is well suited to this environment, where investment returns are closely linked to company fundamentals. As always, Epoch seeks companies that can generate a growing stream of free cash flow and allocate that cash effectively for the benefit of shareholders.

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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