

## MONTHLY FUND UPDATE

31 December 2018

### Month in review

Stocks experienced a sharp downturn in December. Investors grew increasingly concerned about a slowing global economy, higher costs pressuring profit margins, monetary policy shifts from quantitative easing to quantitative tightening and escalating trade tensions. Small-cap stocks fared worse than large caps. All sectors had negative returns. The energy, financials and industrials had the steepest drops. Utilities fell the least. Energy stocks tumbled on fears of weakening demand combined with oversupply despite OPEC and Russia agreeing to production cuts.

The Fund posted negative absolute returns but outperformed the broader market in December as represented by the MSCI World ex-Australia Index (Net). As concerns about global uncertainties grew, the portfolio was not immune to the decline experienced by the markets during this period. However, companies within the diversified global portfolio continued to grow free cash flow and remained committed to returning cash to shareholders. From a relative perspective, the Fund's outperformance was driven primarily by strong stock selection and also by sector allocations, which are largely an outcome of Epoch's fundamental, bottom-up investment process. A significant overweight to utilities, a defensive sector typically more heavily represented in the strategy, was a substantial contributor to relative results as

investors revalued high-growth companies in a declining market. Additionally, strong stock selection within financials also contributed positively to relative results.

On the other hand, the materials, industrials and consumer discretionary sectors modestly detracted from relative returns. An overweight to energy, the worst performing sector in the benchmark, slightly detracted from relative results as the price of oil continued to decline. However, stock selection in the sector more than offset the allocation impact as the strategy tends to be more concentrated in integrated oil and gas companies.

Top contributors included utilities companies Terna S.p.A. and Red Electrica and Munich Reinsurance Company in the financials sector. Among the largest individual detractors were Hanesbrands, a leading manufacturer of everyday innerwear and activewear apparel, and communication services firm CenturyLink. Hanesbrands shares declined on broader apparel industry concerns, including the potential impacts of the transition from store-based to digital shopping, private label competition and tariff escalation. Hanesbrands returns capital to shareholders via an attractive dividend as well as through share repurchases and debt reduction.

### Performance

As at 31 December 2018

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	Since inception <sup>1</sup> % pa
Fund <sup>2</sup>	(2.80)	(5.74)	(0.06)	4.82	7.28	12.00	8.12	6.96
Benchmark <sup>3</sup>	(4.27)	(11.10)	1.52	7.49	9.81	15.24	9.57	6.94
Value added	1.47	5.36	(1.58)	(2.67)	(2.53)	(3.24)	(1.45)	0.02

### Performance components

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	Since inception <sup>1</sup> % pa
Distribution <sup>4</sup>	0.44	0.43	10.24	8.15	8.33	7.29	8.12	5.31
Growth	(3.24)	(6.17)	(10.30)	(3.33)	(1.05)	4.71	0.00	1.65
Total <sup>2</sup>	(2.80)	(5.74)	(0.06)	4.82	7.28	12.00	8.12	6.96

1. Inception date: 15 May 2008

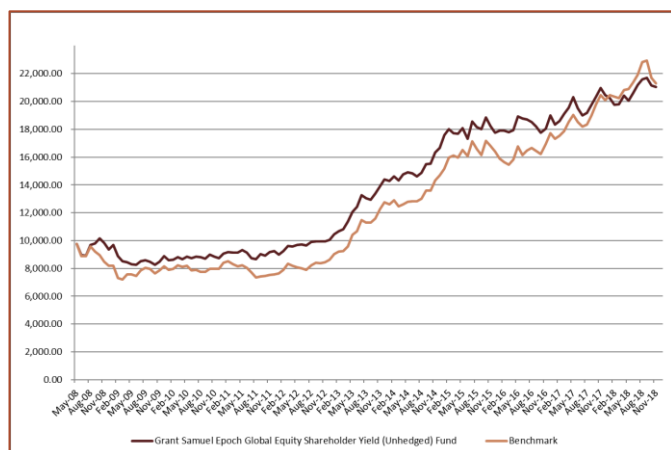
2. Fund returns are calculated net of management fees and assume distributions are reinvested

3. MSCI World ex- Australia Index, net dividends reinvested\*

4. Distribution may include income, realised capital gains, and any return of capital

**Past performance is not a guide to future performance.**

## Growth of A\$10,000



Benchmark: MSCI World ex- Australia Index, net dividends reinvested \*  
Calculations are based on exit price with distributions reinvested and net of fees and expenses.

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## Fund facts

Top 10 holdings (Alphabetical order)	Sector	Dividend yield%
Allianz SE	Financials	4.6
Astrazeneca PLC	Health Care	3.6
AXA SA	Financials	6.7
BCE Inc.	Communication Services	5.6
Duke Energy Corp	Utilities	4.2
Munich Reinsurance	Financials	4.5
Terna S.p.A.	Utilities	4.5
Total SA	Energy	5.5
Verizon Comms	Communication Services	4.2
Welltower, Inc.	Real Estate	5.0

Regional allocation	Fund%	Index% <sup>1</sup>
US and Canada	54.8	66.7
United Kingdom	14.7	6.1
Europe ex-UK	24.7	16.3
Asia ex-Japan	1.6	1.9
Japan	--	8.8
Australia and New Zealand	2.2	0.1
Other	--	0.2
Cash	2.0	--
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

Sector allocation	Fund%	Index% <sup>1</sup>
Communication Services	11.2	8.5
Consumer Discretionary	3.5	10.5
Consumer Staples	12.3	8.7
Energy	9.8	5.9
Financials	15.5	15.7
Health Care	11.0	13.4
Industrials	6.2	11.0
Information Technology	6.4	15.2
Materials	2.7	4.3
Real Estate	4.3	3.1
Utilities	15.0	3.5
Cash	2.0	--
Unassigned	--	0.2
<b>TOTAL<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

1. MSCI World Ex-Australia Index in \$A, net dividends reinvested\*
2. May not total 100 due to rounding

The data presented in these tables is unaudited and may change at any time. The data is shown for informational purposes only and is not indicative of any future portfolio characteristics.

For more information about the Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund, please go to [www.gsfm.com.au](http://www.gsfm.com.au).

### Important Information

Grant Samuel Fund Services Limited 48 129 256 104 AFSL 321517 (GSFS) is the responsible entity of the Grant Samuel Epoch Global Equity Shareholder Yield (Hedged) Fund ARSN 130 358 440 and Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Fund ARSN 130 358 691 (collectively, the Funds). The Funds are registered as managed investment schemes under the Corporations Act 2001 (Cth). GSFS has appointed Epoch as the investment manager of each Fund. Class A Units in each Fund are available for issue by GSFS, as responsible entity of the Funds.

Before making an investment decision in relation to a Fund, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs. Prospective investors should read and consider the product disclosure statements for the Funds dated 1 March 2018 and the Additional Information to the Product Disclosure Statement which can be obtained from [www.gsfm.com.au](http://www.gsfm.com.au) or by calling 1300 133 451.

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. None of Grant Samuel Fund Services Limited, its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Funds or any particular returns from the Funds. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on **14 January 2019**.