

Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide investors with high capital growth over the medium to long term (3 to 5 years) by seeking exposure to emerging stock markets worldwide or companies with significant activities in emerging markets. The benchmark is the MSCI Emerging Markets Index. In seeking to achieve the objective, the investment manager may invest in securities which are not contained in the index used as the performance benchmark. This investment option primarily invests in a diversified portfolio of emerging market securities. The normal characteristics of this investment option are:

- low turnover - the average holding period is around 4 years
- significant divergence from the benchmark
- low cash allocations, and
- a beta less than or equal to one.

On occasions (such as where the purchasing costs of the investment can be reduced), a portion of the investment may be directly invested in other investment vehicles managed by other Aberdeen Group companies. This investment option does not generally borrow to invest and is not hedged to the Australian dollar.

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	3 - 5 years
Relative risk rating	7 / High
Investment style	Specialist
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Emerging Markets Equities	100.0	98.9
Cash	-	1.1

Sector Allocation	%
Energy	4.2
Materials	6.0
Industrials	1.1
Consumer Discretionary	9.5
Consumer Staples	6.2
Health Care	0.8
Financials	41.3
Information Technology	13.1
Communication Services	10.9
Utilities	--
Real Estate	5.8
Cash	1.1

Regional Allocation	%
Asia	71.9
Africa and Middle East	3.0
Emerging Europe	5.4
Latin America	18.6
UK	--
Cash	1.1

Top Holdings	%
Aberdeen Standard SICAV I - Indian Eq Fund	14.6
Aberdeen Standard SICAV I - China A Equity Fund	7.3
Tencent Holdings	6.0
TSMC	5.9
Samsung Electronics	5.7
Ping An Insurance	3.9
Banco Bradesco	3.4
AIA Group	2.7
China Resources Land	2.3
Bank Central Asia	2.1

Investment Option Commentary

The top contributor was the Aberdeen Standard SICAV I - Indian Equity Fund, which rose as market sentiment in India recovered after the government announced tax cuts that would boost earnings and business confidence. Another top contributor was our core holding TSMC, which rose on the back of expectations that the memory cycle is expected to recover. Nascent signs of a recovery in the tech and semiconductors sectors towards the end of the period supported the overall rebound in the asset class. Elsewhere, Turkish supermarket BIM added to gains as the market recovered during the quarter. BIM's discount stores are expected to gain market share in a challenging consumer environment, mitigating margin pressure. In China, where slowing growth outlook and trade war uncertainty weighed on the market, our stock selection was positive, with the ASI SICAV I – China A Share Equity Fund posting solid returns. The underlying holdings, especially within the consumer sector, exceeded general expectations of subdued growth.

Conversely, the fund was hampered by its holdings in Latin America, as political uncertainty caused investors to question the expected economic recovery in Brazil, which weighed on Banco Bradesco. In Hong Kong, our holdings felt the impact of the prolonged protests. AIA detracted, as it came under pressure as the outlook for new sales has worsened, particularly for business via the Hong Kong. Meanwhile, Hong Kong Exchanges and Clearing corrected following news of its ambitious bid to take over London Stock Exchange. Lastly, LG Chem also detracted as its shares fell on weak expectations surrounding its third-quarter results.

Market Commentary

Emerging markets ended the quarter lower, as a recovery at the end of the period was not enough to make up for a sharp fall in July. The inversion of the US-Treasury bond yield curve in August also spooked investors, especially as trade talks between the US and China broke down. At home, both powerhouses also faced political challenges. Unrest in Hong Kong marred the period and dampened investor sentiment there. In the US, news of possible impeachment charges against President Donald Trump sent the US stock market lower at the end of September. Elsewhere, an attack on Saudi oil production heightened geopolitical tensions and oil-price volatility.

Monetary easing by major central banks was also a key theme, as they tried to address concerns of an impending global recession. The US Federal Reserve cut interest rates twice over the quarter after not having cut rates in over a decade. The European Central Bank and Beijing also cut rates and pledged further stimulus, while the Reserve Bank of India announced a larger-than-expected rate cut in August and additional corporate tax cuts that would boost earnings and business confidence. Similarly, central banks in Brazil, Indonesia, Mexico, Russia and Turkey lowered rates over concerns about an increasingly uncertain outlook.

Outlook

Aberdeen Standard are cautiously optimistic about the outlook for emerging markets in light of the easing monetary policy stance among global central banks. With the persisting trade war between the US and China continuing to fuel concerns over a global economic recession, expectations are that central banks will continue to inject stimulus to boost economic activity.

In addition, China's shift from deleveraging to consumption-led stimulus should cushion global growth. Since most of the investment option's Chinese holdings are biased towards domestic demand, we remain cautiously optimistic on this front. They are also positive about our Southeast Asian holdings. Some of these economies have benefited as companies shift their supply chains and production bases from China because of the trade spat. In Latin America, while Brazil's progress on pension reforms and declining interest rates is encouraging, investors remain cautious as Mexico has yet to turn around its slowing economy.

Against this backdrop, corporate earnings should rise, albeit modestly. The asset class remains attractively priced relative to both its historical average and developed peers. The large and growing middle classes in these emerging markets will propel demand for consumer and financial services, infrastructure and new technologies, where the portfolio is well positioned. Beyond the near-term volatility, our commitment to focus on quality companies with healthy fundamentals and experienced management should yield sustainable returns for investors in the longer term.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1531AU
AMP Flexible Super - Retirement account	AMP1591AU
AMP Flexible Super - Super account	AMP1579AU
CustomSuper	AMP1531AU
Flexible Lifetime - Allocated Pension	AMP1543AU
Flexible Lifetime Investment (Series 2)	AMP2031AU
SignatureSuper	AMP1555AU
SignatureSuper Allocated Pension	AMP1567AU
SignatureSuper Select	AMP1555AU

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.