

Future Directions Emerging Markets

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide high returns over the long term, while accepting a higher level of volatility, through a diversified portfolio of international shares, focusing on emerging markets. The objective is to provide a total return, after costs and before tax, higher than the return from the MSCI Emerging Markets (ex Tobacco) Net Return Index (AUD) on a rolling 3 to 5 years basis.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	94.53
Listed Property and Infrastructure	2.42
Others	0.11
Cash	2.93

Sector Allocation	%
Information Technology	21.57
Financials	21.23
Consumer Discretionary	13.09
Materials	7.73
Consumer Staples	7.24
Communication Services	6.42
Energy	6.20
Industrials	5.48
Cash	2.95
Real Estate	2.80
Utilities	2.68
Health Care	2.10
Unclassified	0.41
Others	0.11

Top Holdings	%
TSMC	6.11
Samsung Electronics Co Ltd	5.53
Alibaba Group Holding Ltd	5.28
Tencent Holdings Ltd	2.79
PING AN	2.18
LUKOIL PJSC	1.47
China Construction Bank Corp	1.43
Petroleo Brasileiro SA	1.24
Naspers Ltd	1.13
China Merchants Bank Co Ltd	1.07

Region Allocation	%
Asia	66.98
Latin America	10.02
Europe	8.71
Middle East & Africa	6.21
Others	5.15
Cash	2.93

Fund Performance

The Fund posted a strong return (before fees) and marginally outperformed its benchmark in the December quarter. All three underlying fund managers posted positive returns; Investec outperformed the benchmark, while Schroders and Lazard lagged. The Fund continues to outperform over the longer term, including 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation detracted somewhat overall from performance over the period. Having no exposure to Saudi Arabia contributed most, whereas being overweight to the United Arab Emirates and Turkey were the main detractors.

Sector allocation was also a drag on returns overall. An overweight position in consumer staples was the main detractor, whilst the overweight exposure in information technology was a standout contributor.

Security selection boosted Fund performance on a relative basis. The main individual contributor was an overweight position in semiconductor manufacturer Taiwan Semiconductor Manufacturing Company (+21%), which continued its strong performance as smart phone demand continues to escalate and the ramp-up to 5G fuels support for the stock. Other contributors included overweight positions in Chinese state-owned car-parts maker Weichai Power Company (+40%) and South African platinum producer Anglo American Platinum (+49%).

The main individual detractor was an overweight position in Chinese telco China Telecom Corp (-13%), which suffered along with other companies in China's telecom sector due to deteriorating revenue momentum, as irrational price competition from China Mobile increases in advance of the adoption of 5G technology. Other detractors included overweight exposures to Chinese insurer Ping An Insurance (-1%) and Walmart's central American arm Wal-Mart de Mexico (-6%).

Market Review

Global share markets were up significantly over the December quarter, with the MSCI World ex Australia index finishing the period up by 7.66%. Drivers included strong US corporate earnings, the announcement of a "phase one" trade deal between China and the US in December, prevailing stimulatory central bank policies around the globe and an emphatic election result in the UK (leading to an apparent resolution to ongoing Brexit delays). Against a backdrop of a solid US economy with generationally low unemployment, these factors combined to spur optimistic investor sentiment around the globe. Indices that were notably strong included the US S&P 500 (up by 9.07%), the Chinese S&P/CITIC300 (up by 7.13%) the European DJ Euro STOXX 50 (up by 5.35%) and the German DAX (up by 6.61%). Emerging markets, meanwhile, produced some of the strongest returns of all; the MSCI Emerging Markets index finishing the quarter up by 9.54% on improving trade relations between China and the US, strong commodity prices and broader positive market-sentiment. Within emerging markets, Asia led the way with Chinese, Taiwanese and Korean equities posting strong gains. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Heading into 2020, global share valuations continue to look broadly reasonable, particularly when compared against low bond yields. Global growth indicators are expected to improve over the medium term and monetary and fiscal policy have become more supportive, all of which should support share markets on a 6-12 month horizon.

For investors, quality companies which generate strong cashflows may present the best opportunities for risk-adjusted returns.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1103AU*
AMP Flexible Super - Retirement account	AMP1350AU*
AMP Flexible Super - Super account	AMP1479AU*
CustomSuper	AMP1103AU*
Flexible Lifetime - Allocated Pension	AMP1105AU*
Flexible Lifetime - Investments (Series 1)	AMP1117AU*
Flexible Lifetime - Investments (Series 2)	AMP1414AU*
Flexible Lifetime - Term Pension	AMP1109AU*
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*

*Closed to new investors

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