

# Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

31 December 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](http://amp.com.au)

## Investment Option Overview

<b>Investment Category</b>	Global Shares
<b>Suggested Investment timeframe</b>	3 - 5 years
<b>Relative risk rating</b>	7 / Very High
<b>Investment style</b>	Specialist
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Emerging Markets Equities	100.0	98.4
Cash	-	1.6

Sector Allocation	%
Energy	3.1
Materials	6.6
Industrials	1.7
Consumer Discretionary	8.9
Consumer Staples	7.5
Health Care	1.1
Financials	40.8
Information Technology	21.6
Communication Services	2.3
Utilities	--
Real Estate	4.8
Cash	1.6

Regional Allocation	%
Asia	71.1
Africa and Middle East	3.7
Emerging Europe	5.3
Latin America	17.9
UK	0.5
Cash	1.6

Top Holdings	%
Aberdeen Standard SICAV I - Indian Eq Fund	13.25
TSMC	6.41
Tencent Holdings	6.39
Aberdeen Standard SICAV I - China A Equity Fund	6.35
Samsung Electronics	6.18
Ping An Insurance	3.73
Banco Bradesco	3.59
AIA Group	2.67
Vale	2.38
China Resources Land	2.29

## Investment Option Commentary

Over the quarter, the fund lagged the benchmark by 226 basis points, returning 5.13% in Australian dollars. Underperformance was primarily driven by weak stock selection.

Their choice of holdings in China was the biggest detractor. Not holding Alibaba proved costly, as the company announced impressive results and successfully listed in Hong Kong in November. After a robust run for most of the year, their high-quality holdings in the ASI SICAV I – China A Share fund lagged. Automotive internet platform provider Autohome also hurt returns, despite staging a recovery in December, as the company lowered its outlook. However, 58.com contributed, as it produced resilient results when several peers appeared to be struggling. China Resources Land and Huazhu Group also added to returns, rallying at end of the period thanks to the improved macro backdrop.

At the sector level, their exposure to semiconductors was positive. Sector heavyweights, Samsung Electronics and TSMC, were among the fund's top contributors, owing to a better outlook for memory prices and smart phone sales.

Returns were also hampered by their allocation and stock selection in India, where weak economic data and rising political tensions dampened investor confidence. In Latin America stock selection in Brazil and Chile dragged on returns. Banco Santander Chile fell due to political unrest. Elsewhere, in the Philippines, Ayala Land detracted as policy uncertainty surrounding the property sector led to profit taking by some investors.

## Market Commentary

Emerging markets rose over the quarter as a Phase-One trade deal was agreed on by the US and China. Initial news flow on the trade war heightened volatility over the period, as both sides cast doubt on the deal. Across the asset class, markets were then uplifted by the partial deal, which included agreements for lower US tariffs on Chinese imports.

Additionally, the monetary policy backdrop continued to support emerging markets. The US Federal Reserve cut its benchmark interest rates for a third time in October, while the People's Bank of China (PBOC) resumed policy easing after a pause in the previous quarter. The PBOC also extended its targeted stimulus to boost market liquidity. The Reserve Bank of India cut rates for the fifth consecutive time in October, while the government initiated the sale of several state-owned enterprises to improve finances, and launched an infrastructure stimulus plan to revive the economy.

In Latin America, Brazil's much-anticipated pension reform bill was approved by the Senate, boosting the region's performance. In Argentina, the market plunged on uncertainties after Alberto Fernandez beat incumbent president Mauricio Macri in the elections. Domestic stocks then rebounded after lawmakers approved an emergency package to help lift the economy from its current crisis.

Pockets of civil unrest was another feature over the quarter. Hong Kong's months-long pro-democracy protests briefly receded following local elections in November but seemed to pick up again at the end of the period.

## Outlook

Fears of a global economic recession seem to have abated, and the Fund Manager remain cautiously optimistic about the outlook for emerging market equities. Across the asset class, the accommodative stance taken by governments and central banks should support consumer and business confidence. However, key risks remain, including a possible collapse of US-China trade negotiations, given Trump's support for the Hong Kong protests. Additionally, ongoing geopolitical uncertainty as tensions rise in the Middle East will give investors reason to exercise caution.

Despite these risks, Aberdeen Standard remain confident that the dynamic and diverse set of emerging market economies offer a wealth of opportunities for investors. Ongoing political and economic reforms support the structural trends that will underpin growth in the asset class, which remains attractive relative to both its historical average and developed peers. The expanding and increasingly affluent middle classes in these emerging markets will propel demand for consumer and financial services, infrastructure and new technologies, where the portfolio is well positioned.

## 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

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