

Future Directions Asian Share

Quarterly Investment Option Update

31 March 2020

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 within the Asia (ex-Japan) universe. The objective is to provide a total return, after costs and before tax, above the return from the MSCI All Country Asia ex Japan Net Index 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	94.19
Listed Property and Infrastructure	3.00
Others	0.29
Cash	2.52

Sector Allocation	%
Information Technology	28.46
Financials	20.05
Consumer Discretionary	16.40
Real Estate	8.67
Communication Services	6.03
Consumer Staples	4.31
Industrials	3.96
Cash	2.52
Utilities	2.44
Health Care	2.38
Energy	2.34
Materials	2.15
Others	0.29

Top Holdings	%
Alibaba Group Holding Ltd	9.04
Tencent Holdings Ltd	6.85
TSMC	6.72
Samsung Electronics Co Ltd	6.16
PING AN	2.80
AIA Group Ltd	2.48
PSBC	1.94
Cheung Kong Holdings Ltd	1.72
CNOOC Ltd	1.72
HKEX	1.70

Region Allocation	%
Asia ex Japan	96.33
Cash	2.52
North America	0.87
Others	0.29

Fund Performance

The Fund posted a negative return (before fees) and underperformed its benchmark during the March quarter. In a difficult period for share markets, both underlying managers posted negative returns and underperformed the benchmark, with Investec achieving the strongest performance. The Fund continues to outperform over the longer term, including 3 and 5 years (annualised). (All returns are before fees.)

Stock selection detracted overall from Fund performance, whereas country and sector allocation contributed to relative returns.

At the country level, an underweight position in India and overweight exposure to Hong Kong were the main contributors, whilst an overweight in Indonesia and underweight position in South Korea was the main detractor from performance. At the sector level, an underweight position in materials and overweight position in consumer discretionary were the main contributors to relative returns. The underweight exposures to communication services and healthcare were the main detractors.

At the security level, the largest detractor from relative returns was an overweight holding in state-owned Indonesian Bank Negara Indonesia (-51%), which saw its share price plummet along with many other Indonesian companies as investors expressed concerns that the spread of COVID-19 would significantly impact business activities in Indonesia. Other detractors included overweight positions in Chinese offshore oil and natural gas producer CNOOC (-28%) and South Korean financial services provider Hana Financial Group (-36%).

The main contributor to relative returns was an overweight position in Chinese online company Alibaba Group (+5%), with its shares initially receiving support from the signing of the 'Phase 1' trade deal between China and the US, which was positive for the company's potential to tap into China's burgeoning consumer market. The company was also a beneficiary of the extensive COVID-19 containment measures. As millions of people are quarantined and told to stay home, many are turning to the internet to work, communicate and for entertainment. Other contributors included having no exposure to Indian financial services providers Housing Development Finance Corp (-27%) and ICICI Bank (-35%).

Market Review

The March quarter was one of the worst periods ever for global share markets as the COVID-19 pandemic rapidly escalated fears around the globe. The MSCI World ex Australia index finished the period down by 20.0%, having briefly reached lows not seen since 2016 before finishing the period with a late rally. Across regions and sectors, few stocks were spared from the falls, with some panic-selling evident, particularly later in the quarter as fundamentals undoubtedly took a backseat to momentum trading. In the final week of March, the market was able to recoup some of these losses as panic selling subsided. Price movements in many stocks were further exacerbated by the triggering of stop-losses, as well as some evidence of forced selling from funds in order to meet redemption requests. A positive for shares later in the period was global stimulus levels promptly reaching unprecedented levels, as a swift, synchronised policy response was seen around the globe in the forms of monetary easing and enormous amounts of targeted fiscal stimulus. In many cases, packages included direct payments to residents and businesses. Emerging markets couldn't escape the sell-off during the period and performed only marginally better than their developed market peers. Asian markets fared relatively better, in particular China, as well as Taiwan and Korea. (Indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Global shares now appear to be significantly cheaper after the recent pullback related to the COVID-19 virus and relative to low bond yields, though given the lack of earnings visibility over the near-term, some caution is still warranted. While global economic activity is being sharply impacted due to the virus, we expect this to be transient in nature and likely to rebound at some point. Monetary and fiscal policy are also now heavily supportive, which is likely to continue to aid share markets.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1197AU*
AMP Flexible Super - Retirement account	AMP1344AU*
AMP Flexible Super - Super account	AMP1473AU*
CustomSuper	AMP1197AU*
Flexible Lifetime - Allocated Pension	AMP1201AU*
Flexible Lifetime - Investments (Series 1)	AMP1205AU*
Flexible Lifetime - Investments (Series 2)	AMP1408AU*
SignatureSuper	AMP1211AU*
SignatureSuper - Allocated Pension	AMP1220AU*

*Closed to new investors

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