

Future Directions Asian Share

Quarterly Investment Option Update

30 June 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	93.50
Listed Property and Infrastructure	2.06
Others	0.57
Cash	3.88

Sector Allocation	%
Information Technology	30.85
Financials	18.10
Consumer Discretionary	17.05
Consumer Staples	5.62
Industrials	4.70
Communication Services	4.70
Real Estate	4.36
Cash	3.88
Health Care	3.77
Materials	2.42
Energy	2.24
Utilities	2.08
Others	0.24

Top Holdings	%
Alibaba Group Holding Ltd	8.76
Tencent Holdings Ltd	8.12
TSMC	6.66
Samsung Electronics Co Ltd	6.16
HKEX	2.71
PING AN	2.57
AIA Group Ltd	2.41
CSPC Pharmaceutical Group Ltd	1.78
JD.com Inc	1.61
CNOOC Ltd	1.60

Region Allocation	%
Asia ex Japan	95.39
Cash	3.88
North America	0.50
Others	0.24

Fund Performance

The Fund posted a positive return (before fees) and underperformed its benchmark during the June quarter. While both underlying managers gained ground during the period, each underperformed the benchmark, with Lazard faring the better of the two. However, the Fund continues to outperform over the long term, including over 5 years (annualised). (All returns are before fees.)

Stock selection and country allocation detracted overall from the Fund's relative performance.

At the country level, an overweight exposure to Hong Kong and underweight position in India were the main detractors, while the Fund's cash position, particularly US dollars, also hindered relative returns. Meanwhile, the underweight exposure to Singapore was the main contributor.

Sector allocation (excluding the cash position) added value. The underweight exposure to financials and being overweight information technology added most value. This outweighed the negative effects of an underweight exposure to healthcare which was the main detractor.

At the security level, a significant detractor from relative returns was an underweight position in Indian refiner and conglomerate Reliance Industries (+36%), which rallied after Facebook announced early in the period that it would buy 10% of its subsidiary Jio Platforms. Other detractors included overweight positions in Chinese retail bank Postal Savings Bank of China (-13%) and Chinese property developer China Resources Land (-16%).

The main contributor to relative returns was an overweight position in Hong Kong's stock and futures markets operator Hong Kong Exchanges & Clearing (+25%), which has benefitted from higher trading volumes and the successful launch of a number of MSCI-based derivatives. Other contributors included having an overweight position in Taiwanese bicycle manufacturer Giant Manufacturing (+80%) and an underweight exposure to Chinese banking heavyweight China Construction Bank (-12%).

Market Review

Global shares surged back from their March lows over the June quarter, with the MSCI World ex Australia index finishing the period up by 18.5%. This came as virus-related market panic progressively dissipated and lockdowns began to be lifted. Death rates, while high, were also far below previous 'worst-case' scenario estimates. As businesses reopened, most governments maintained (and in some case even increased) their stimulus programmes on offer, leading to continued support for share prices. Various economic indicators also appeared to confirm a global economic recovery was indeed underway, reflected in sharp rises in business confidence and falling rates of unemployment. Contrary to the markets' bullish sentiment, the list of concerns on many investors' radars however only appeared to grow, with issues such as civil unrest in the US, the upcoming US election, Chinese tensions (with Hong Kong, the US, India and even Australia) and an apparently rising risk of a 'second wave' of COVID-19 infections (particularly in the US) leading to a growing sense of unease. Emerging markets meanwhile were also very strong, driven by the same trends as broader developed markets to return 16.7% over the quarter as measured by the MSCI Emerging Markets index. In Asia, export-heavy markets generally fared well, such as Taiwan and South Korea, whereas Hong Kong and Singapore underperformed due to geopolitical and virus 'second wave' concerns, respectively. (Indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Given a lack of earnings visibility, we believe investors should exercise some caution, particularly where prices have risen quickly. Amid changing consumer dynamics, many companies will likely struggle for some time, while stronger businesses are likely to emerge from the COVID-19 crisis with gained market share. Pressure on global economies has however begun to ease as various lockdowns and restrictions have been lifted, while highly supportive monetary and fiscal policy continues to provide solid support. While second wave fears persist and are temperamentally traded on, thereby presenting potential retraces/pullbacks, we believe the longer-term market trend will remain to the upside. As always, while the near-term direction of markets is impossible to accurately predict, we generally believe that those with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the long-term.

Availability

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

*Closed to new investors

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