



Future Directions Asian Share

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	95.87
Listed Property and Infrastructure	1.92
Others	0.45
Cash	1.77

Sector Allocation	%
Information Technology	32.64
Consumer Discretionary	20.19
Financials	14.12
Communication Services	5.68
Industrials	5.36
Consumer Staples	5.05
Health Care	4.42
Materials	3.51
Real Estate	3.34
Energy	1.87
Cash	1.77
Utilities	1.60
Others	0.45

Top Holdings	%
Alibaba Group Holding Ltd	10.94
TSMC	8.44
Tencent Holdings Ltd	7.96
Samsung Electronics Co Ltd	5.72
PING AN	2.29
HKEX	2.14
JD.com Inc	1.82
CSPC Pharmaceutical Group Ltd	1.70
Delta Electronics Inc	1.62
NetEase Inc	1.40

Region Allocation	%
Asia ex Japan	97.25
Cash	1.77
North America	0.54
Others	0.45

Fund Performance

The Fund posted a strong positive return (before fees) and outperformed its benchmark during the September quarter. While both underlying managers gained ground during the period, Lazard fared better to outperform the benchmark. The Fund continues to outperform over the long term, including over 5 years (annualised). (All returns are before fees.)

Stock selection was the main driver of the Fund's relative returns, while country allocation (excluding cash) was broadly neutral for relative performance.

At the country level, underweight positions in Thailand and Singapore were the main contributors, while the Fund's cash position, particularly US dollars, was the main drag on relative returns.

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

At the security level, the main contributor to relative returns was an overweight position in Taiwan Semiconductor Manufacturing (+36%), which rose strongly as the company continues to benefit from demand created by smart phones and technology upgrades caused by the pandemic. The company also found support amid the problems that Intel is facing with the production of its latest generation of semiconductors, with the company being viewed as having breadth capable of filling the void. Other contributors included an underweight exposure to Chinese banking heavyweight China Construction Bank (-19%) and an overweight holding in Chinese heavy equipment manufacturer Sany Heavy Industry (+35%).

A significant detractor from relative returns was an underweight position in Chinese electric car maker NIO (+164%). The company's share price soared along with other electric car manufacturers, and despite not having yet made a profit, the market was encouraged by the company's release of data showing its vehicle deliveries were at strong levels in July. Other detractors included an overweight holding in Chinese retail bank Postal Savings Bank of China (-30%) and an underweight position in Chinese online shopping platform Meituan Dianping (+35%).

Market Review

Global share markets rose strongly in the first half of the September quarter, before pulling back somewhat towards the end of the period to finish up by 6.87%, as measured by the MSCI World ex Australia index. Growing confidence around the speed of the global economic recovery, better than expected corporate earnings, improved manufacturing activity data and reasonably strong US jobs figures all contributed to the strong rise. This was despite some renewed fears around further waves of COVID-19 and more specifically, how governments might react to renewed outbreaks. Geopolitical tensions abounded, though this was mostly treated as noise by markets. Towards the end of the quarter, a marked correction in technology stocks occurred, which in turn pulled the broader market down somewhat. Amid a strong Chinese economic recovery and growing demand for commodities, emerging markets also rose over the period, outperforming developed markets. In Asia, Taiwan, Korea, China and India all posted strong returns, whereas Thailand and Hong Kong lagged (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The medium-term outlook for earnings remains generally hard to predict; and varies greatly depending on company specifics. We continue to believe investors should exercise 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. Although pressure on some global economies has begun to ease, risks of further COVID-19 breakouts; and indeed, the manner in which governments choose to respond, remain a risk. Governments generally continue to implement supportive monetary and fiscal programmes to ease shorter-term burdens and keep economies more resilient, though some concern is growing around the sustainability of some programmes. Despite this, 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 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 - Retirement	AMP1344AU*
AMP Flexible Super - Super	AMP1473AU*
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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