

Future Directions Emerging Markets

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, 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/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	94.95
Listed Property and Infrastructure	1.02
Others	0.72
Cash	3.30

Sector Allocation	%
Information Technology	28.37
Consumer Discretionary	17.50
Financials	12.77
Materials	7.71
Consumer Staples	6.79
Communication Services	6.60
Industrials	6.03
Health Care	3.92
Cash	3.30
Energy	3.18
Real Estate	1.67
Utilities	1.44
Others	0.72

Top Holdings	%
Alibaba Group Holding Ltd	8.62
TSMC	6.90
Tencent Holdings Ltd	6.57
Samsung Electronics Co Ltd	5.39
PING AN	2.11
JD.com Inc	1.80
China Construction Bank Corp	1.23
Vale SA	1.09
China Mobile Ltd	1.04
NetEase Inc	1.03

Region Allocation	%
Asia	76.72
Europe	6.40
Latin America	5.85
Others	4.51
Cash	3.30
Middle East & Africa	3.22

Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the September quarter. All three of the Fund's underlying managers posted positive returns, and Lazard and Ninety One outperformed the benchmark. The Fund also has posted strong positive returns over the longer term and has outperformed its benchmark over 5 years and since inception (annualised). (All returns are before fees.)

Country allocation detracted from relative performance over the period. The main detractors were an overweight exposure to Turkey and an underweight exposure to India, as well as an exposure to US dollars as the Australian dollar appreciated over the period. The main contributors were underweight exposures to Thailand and Brazil and an overweight exposure to Taiwan.

Sector allocation was the key driver of the Fund's outperformance. The main contributors were underweight exposures to financials and energy, and an overweight exposure to information technology. The main detractors were an underweight exposure to consumer discretionary, and overweight exposures to industrials and consumer staples.

Stock selection contributed positively to relative performance, mainly due to positions in information technology and industrial stocks. The main individual positive contributor was an overweight position in the world's largest contract chipmaker Taiwan Semiconductor Manufacturing Company which surged (+37.7%) after Intel announced that its seven nanometer manufacturing process would be delayed. This will make it more difficult for Intel to compete with Advanced Micro Devices, which uses Taiwan Semiconductor's seven nanometer manufacturing process. Other positive contributors included an overweight position in Chinese sporting goods manufacturer Li-Ning Company which rallied (+40.6%) and an underweight position in Industrial & Commercial Bank of China which fell (-17.8%) over the period.

The main individual detractor was an underweight position in Chinese e-commerce company Meituan-Dianping, which rallied strongly (+35.1%) after releasing robust Q2 2020 results, with improving profitability in its food delivery segment. The company also announced several new initiatives, including a bike sharing platform and an online grocery delivery service, which were well received. Other detractors included underweight positions in Indian multinational conglomerate Reliance Industries, which rallied (+29.2%) and Chinese electric-vehicle maker NIO which rocketed higher (+164.0%) over the period.

Market Review

Global share markets rose strongly in the first half of the September quarter, before pulling back towards the end of the period to finish up 6.87%, as measured by the MSCI World ex Australia index. Growing confidence about the speed of the global economic recovery, better than expected corporate earnings, improved manufacturing activity data and reasonably good US jobs figures all contributed to the strong rise. This was despite renewed fears about further waves of COVID-19 and more specifically, how governments might react to the outbreaks. Geopolitical tensions abounded, although this was mostly regarded as noise. Towards the end of the quarter, a marked correction in technology stocks occurred, which pulled the broader share market down.

Amid a strong Chinese economic recovery and growing demand for commodities, emerging markets also rose over the period, outperforming developed markets and returning 8.65% as measured by the MSCI Emerging Markets index. As in developed markets, the largest stocks dominated, which supported the performance of Taiwan, South Korea and China. India also performed well, retracing some of its losses from earlier in the year. Except for the small Pakistan market, other emerging markets underperformed. Russia was one of the weakest as oil prices slumped in September.

(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 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 expected to emerge from the COVID-19 crisis with greater market share. Although pressure on some global economies has begun to ease, further COVID-19 outbreaks and the way governments respond, remain a risk. Governments generally continue to implement supportive monetary and fiscal programmes to ease short-term burdens and keep economies more resilient, although 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 investors 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	AMP1350AU*
AMP Flexible Super - Super	AMP1479AU*
CustomSuper	AMP1103AU*
Flexible Lifetime - Allocated Pension	AMP1105AU*
Flexible Lifetime - Investments (Series 1)	AMP1117AU*
Flexible Lifetime - Investments (Series 2)	AMP1414AU*
Flexible Lifetime - Super	AMP1103AU*
Flexible Lifetime - Term Pension	AMP1109AU*
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*

*Closed to new investors

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