

Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

30 September 2020

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 www.amp.com.au/performance

Investment Option Overview

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

| Asset Allocation | Benchmark (%) | Actual (%) |
|---------------------------|---------------|------------|
| Emerging Markets Equities | 100.0 | 98.3 |
| Cash | - | 1.7 |

| Sector Allocation | % |
|------------------------|------|
| Energy | 2.7 |
| Materials | 6.1 |
| Industrials | 3.0 |
| Consumer Discretionary | 17.1 |
| Consumer Staples | 4.8 |
| Health Care | 2.1 |
| Financials | 24.4 |
| Information Technology | 22 |
| Communication Services | 11.6 |
| Utilities | 1.0 |
| Real Estate | 3.5 |
| Cash | 1.7 |

| Regional Allocation | % |
|------------------------|------|
| Asia | 77.1 |
| Africa and Middle East | 3.1 |
| Emerging Europe | 7.9 |
| Latin America | 10.2 |
| Cash | 1.7 |

| Top Holdings | % |
|---|------|
| Taiwan Semiconductor Manufacturing TWD10 | 8.78 |
| Tencent Hldgs HKD0.00002 | 8.54 |
| Samsung Electronics Co PFD KRW5000 | 7.50 |
| Aberdeen Standard SICAV I China A SHS EQTY Fund Z Acc USD | 5.48 |
| Ping An Insurance GRP A CNY1 | 3.58 |
| Meituan Dianping-Class B USD0.00001 | 3.04 |
| Housing Dev Finance INR2 | 2.35 |
| Naspers N SHS ZAR0.02 | 2.29 |
| Prosus Euro.05 | 2.25 |
| LG Chem KRW5000 | 2.20 |

Investment Option Commentary

By the end of the third quarter, emerging market stocks saw their best six months since the end of 2009, recouping a significant portion of the losses from earlier in the year. The asset class outperformed its developed market peers, returning 5.39% in Australian dollars. As governments eased Covid-19 related restrictions, investors grew more optimistic about improving global demand. Meanwhile the structural growth potential of large-cap tech stocks also drove the index higher. Against this backdrop the fund outperformed the index, returning 7.79%.

Over the period, good stock selection in Taiwan boosted performance, with core holding Taiwan Semiconductor Manufacturing Co. (TSMC) the biggest contributor, thanks to continued healthy demand in the semiconductor sector. In South Korea, electric vehicle (EV) battery manufacturer LG Chem rose, supported by solid momentum in its EV-batteries business, and improving spreads in its petrochemicals division.

Several of the Chinese holdings also contributed as the domestic recovery gathered momentum. Longi Green Energy and China Tourism Group Duty Free (CTGDF) were among the top gainers. CTGDF has been a beneficiary of China's loosening restrictions on its lucrative duty free industry in the popular tourist island of Hainan. Longi Green Energy posted healthy results thanks to growing demand for solar mono wafers; the stock has risen an impressive 208% since the beginning of this year. The ASI China-A Share Fund also contributed, rebounding in tandem with the broader domestic recovery. Meanwhile, not holding Alibaba hurt the fund, as the outlook for e-commerce continued to improve, and sentiment remained upbeat ahead of the listing of its digital payments associate, Ant Group.

Elsewhere, South Asian holdings detracted, particularly in India, where lender Kotak Mahindra fell due to gloomy macroeconomic conditions. Meanwhile, the investment manager's lack of exposure to Reliance Industries proved detrimental; positive news flow around fund-raising for its e-commerce platform lifted its shares. In Indonesia and the Philippines, the ongoing impact of Covid-19 on consumption patterns and credit weighed on holdings in the consumer, property and banking sectors. Bank Central Asia and Astra International detracted in Indonesia, while Philippine-based property developer Ayala Land also hurt returns.

While the strategy's overall exposure to Latin American was positive, lackluster returns in Mexico hurt performance. Beverage and retail company FEMSA was among the laggards. Cushioning the losses was their good stock selection in Brazil, where the investment manager avoided several of the more cyclical names in finance, energy and mining. Having said that, their exposure to lender Banco Bradesco detracted as the negative macro backdrop and soft economic data weighed on the stock.

Market Commentary

Emerging markets made a remarkable recovery in the third quarter. The easing of social distancing measures and gradual resumption of economic activity fueled the rebound. Investor risk appetite was also underpinned by a relatively weaker US dollar over the period, as well as continued accommodative monetary policy and stimulus by major economies to bolster growth. Optimism over the development of potential Covid-19 vaccines also lifted sentiment. Towards the end of the period, emerging market stocks lost some momentum as Covid-19 infections picked up again in Europe and parts of Asia, threatening another shutdown.

Outlook

The investment manager is cautious about the near-term outlook for emerging market equities. The economic recovery led by China, generous fiscal support by governments worldwide, as well as the commitment by the US Federal Reserve and other major central banks to maintain low interest rates, has fuelled risk appetite in the last six months. This supported the asset class' rebound from the losses incurred in the first quarter. However, they expect some volatility as we enter final quarter of 2020, particularly from the noise in the lead-up to the US presidential elections in November. Alongside this is the increasingly contentious relationship between the US and China, which continues to cast a shadow on the prospects for global economic recovery.

On the pandemic front, marked divergences in the successful containment of the virus across the globe hampers hopes for a large scale economic recovery. Furthermore, pockets of resurgence in Europe and parts of Asia, as well as persistently high mortality rates in Brazil and India, the two largest emerging market economies after China, continue to dampen investor confidence. Additionally, despite some promising developments, the timeline for rolling out an effective Covid-19 vaccine remains elusive.

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 |

*Close to new investors

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