

Future Directions Asian Share

Quarterly Investment Option Update

31 December 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	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	95.16
Listed Property and Infrastructure	1.46
Cash	3.38

Sector Allocation	%
Information Technology	29.84
Consumer Discretionary	18.43
Financials	15.05
Communication Services	10.05
Industrials	5.64
Health Care	4.51
Consumer Staples	4.26
Materials	4.04
Cash	3.38
Real Estate	2.61
Energy	1.10
Utilities	1.09

Top Holdings	%
TSMC	8.60
Tencent Holdings Ltd	6.93
Alibaba Group Holding Ltd	6.87
Samsung Electronics Co Ltd	6.84
HKEX	1.93
Delta Electronics Inc	1.78
PING AN	1.75
Infosys Ltd	1.74
Hana Financial Group Inc	1.59
Meituan	1.54

Region Allocation	%
Asia ex Japan	95.93
Cash	3.38
North America	0.69

Fund Performance

The Fund posted a strong positive return (before fees) however underperformed its benchmark during the December quarter. While both underlying managers gained ground during the period, each manager underperformed the benchmark, with NinetyOne faring relatively better than Lazard. The Fund continues to outperform over the long term, including over 5 years (annualised). (All returns are before fees.)

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

At the country level, an overweight position in South Korea and underweight exposure in Malaysia 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 was a standout contributor, with the underweight exposure to real estate also adding value. This outweighed the negative effects of an underweight exposure to financials which was the main detractor.

At the security level, the main detractor from relative returns was an underweight position in Chinese electric car maker NIO (+113%). The company's share price continued to soar along with other electric car manufacturers, while the company has found ongoing support as the demand for new vehicles in China has rebounded sharply since the COVID-19 lockdowns in early 2020, as evidenced when it released its results for Q3 2020 which included revenue which exceeded market expectations. Other detractors included an overweight holding in Chinese pharma CSPC Pharmaceutical (-21%) and a nil holding in Chinese agriculture-focused online platform provider Pinduoduo (+123%).

A significant contributor to relative returns was an overweight position in Taiwan Semiconductor Manufacturing (+25%), which continues to benefit from demand created by smart phones and technology upgrades caused by the pandemic, and saw its share price boosted further by reports that Apple is working on a new series of Mac processors, with plans to outperform Intel. Other contributors included overweight positions in Taiwanese-based electronics manufacturer Delta Electronics (+38%) and Chinese clinical research service provider Hangzhou Tigermed Consulting Company (+33%).

Market Review

International shares produced a very strong performance over the December quarter, rising by 12.33% as measured by the MSCI World ex Australia index. Shares fell early in the quarter as COVID-19 numbers continued to rise in many parts of Europe and the US, leading some countries to reintroduce social distancing restrictions, which in many cases have been devastating to economies and businesses. Mid-quarter however, the market received a huge boost from announcements of successful COVID-19 vaccine trials from Moderna, Pfizer and Oxford-AstraZeneca. These vaccines were shown to be around 95% effective in preliminary results. Approval and initial rollout have now already occurred in some countries, with markets closely watching for medical results and data. The other major story over the quarter was the US election, with a Biden win finally confirmed in very early January 2021, as was a Democrat victory in both the Senate and the House. Markets broadly reacted positively as results increased in clarity through the period. In other positive news for markets, the UK and Europe also finally agreed on a Brexit deal at year-end, over 4 years after the referendum, allowing markets to put much of the related uncertainty into the rear-view mirror. Emerging markets, meanwhile, were also very strong over the period and outperformed their developed market peers, as economies continued to recover and resource prices rose strongly. The MSCI Emerging Markets index closed the quarter up by 16.02%. (All indices are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The medium-term outlook for earnings remains difficult to predict; and varies greatly depending on company specifics. There is also the potential for shorter-term volatility as the market digests the implications of a Biden administration. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations look stretched. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge from the COVID-19 crisis with gained market share. Risks of further pandemic breakouts and, indeed, the manner in which governments choose to respond, remain a risk until vaccines are fully implemented. 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, **Closed to new and existing investors

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