

Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

31 December 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 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	98.9
Cash	0	1.1

Sector Allocation	%
Energy	3.4
Materials	6.7
Industrials	4.2
Consumer Discretionary	17.6
Consumer Staples	5.3
Health Care	2.4
Financials	22.2
Information Technology	24.8
Communication Services	8.6
Utilities	1.0
Real Estate	2.7
Cash	1.1

Regional Allocation	%
Asia	77.1
Africa and Middle East	3.0
Emerging Europe	7.7
Latin America	11.2
Cash	1.1

Top Holdings	%
Samsung Electronics Co PFD KRW5000	9.42
Taiwan Semiconductor Manufacturing TWD10	8.80
Tencent Hldgs HKD0.00002	6.66
ALIBABA Grp Hldgs USD0.000003125	3.36
Aberdeen Standard SICAV I China A SHS EQTY Fund Z Acc USD	3.14
Housing Dev Finance INR2	2.81
Vale Perf ADR NPV	2.43
Meituan Dianping-Class B USD0.00001	2.23
LG Chem KRW5000	2.14
TATA Consultancy Svcs INR1	2.02

Investment Option Commentary

Against this backdrop the fund outperformed its benchmark, driven primarily by good stock selection. This was an upbeat end to a challenging year, with the asset class reversing its worst recorded quarterly losses in the first quarter for 2020.

Good stock selection in China contributed the most to relative returns, even though mainland shares lagged the broader rally. The recovery in domestic consumption continued to gather momentum, underpinning the outperformance of the underlying high-quality consumer companies in the ASI SICAV I – China A Share Equity Fund. Among their direct consumer discretionary holdings, China Tourism Group Duty Free stood out. It posted remarkable earnings growth in 2020 thanks to supportive government policies that helped the duty-free retail operator, especially in Hainan. Meanwhile, Longi Green Energy performed well on the back of government stimulus to the renewables sector, and as private equity firm Hillhouse Capital agreed to acquire a 6% stake in the company. Their emphasis on quality insulated the fund's holdings from the worst effects of worsening US-China ties over the quarter. Healthcare holdings Wuxi Biologics and Hangzhou Tigermed ended the year on a high, with their demand outlooks looking robust entering 2021.

Elsewhere, the ongoing anti-trust probe into Alibaba was beneficial to the fund's relative performance due to their underweight position. Aberdeen Standard have been building their position in the stock on weakness as they believe that ultimately, Alibaba will be better able to adapt to changes, relative to smaller players, thanks its formidable economic moat. However, they remain cautious in the near term as the regulatory investigation is ongoing and they will continue to monitor the risks.

Elsewhere, in Northeast Asia, their high quality semiconductor suppliers and Samsung Electronics both Taiwan Semiconductor Manufacturing Co. (TSMC) lifted the fund's performance. Samsung in particular, delivered robust returns due to the improved outlook for memory prices, amid tighter supply, with lower inventory levels and lower investment in capacity at chipmakers. Elsewhere, South Korean electric-vehicle battery makers Samsung SDI and LG Chem also benefited the fund's performance on a cyclical uptick in orders accelerating the ongoing growth. Demand is expected to continue to expand into 2021.

In India, their core holdings benefitted from widespread optimism about domestic growth, reform and infrastructure spending; these included HDFC, Kotak Mahindra Bank and UltraTech Cement. HDFC strengthened on the back of a more positive outlook for the housing market, with record-low housing loan rates, price discounts and reduction in stamp duties.

Meanwhile, in Latin America, several Brazilian holdings fared well on expectations of a recovery in global economic growth amid positive vaccine news. These included Mercadolibre, Banco Bradesco, Vale and Petrobras. Their Mexican stocks also recovered, helped by expectations of a more stable geopolitical backdrop following the Biden victory in the US election. Banorte, ASUR and FEMSA all delivered healthy absolute returns.

Market Commentary

Emerging market equities enjoyed their best quarterly performance since the end of 2009 over the three months to December, outperforming their developed market counterparts. The healthy economic recovery in Northeast Asia, amid the effective containment of the pandemic there, propelled stocks, helping the asset class close out 2020 on a high. In contrast, recovery in the US, UK and Europe were hindered by resurgences of the coronavirus that forced governments to reinstate social distancing measures and lockdowns. On the vaccine front, regulators approved several viable Covid-19 vaccines, enabling inoculations to begin. This lifted hopes for a faster global economic recovery and a resumption of global travel.

Outlook

Aberdeen Standard are cautiously optimistic about the outlook for emerging market stocks. Investors are returning to riskier assets, and they are seeing a rotation from growth stocks into more cyclical stocks. A successful rollout of the Covid-19 vaccine will be crucial to underpin the recovery. Countries that can successfully distribute the vaccine should expect to lead the recovery. So far, extensive fiscal and monetary support from governments and major central banks has cushioned the impact of the downturn. These stimulus measures have proven effective as evidenced by encouraging corporate earnings, and major emerging market economies revising their GDP forecasts upwards. However, investors will now begin to watch inflation closely, as any sustained uptick could result in a tapering of policy support. Likewise, the relationship with China remains a hot political topic in Washington, and while a new approach led by a less-volatile Biden administration is expected, it may not be conciliatory.

Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1579AU*
AMP Flexible Super - Retirement	AMP1591AU*
CustomSuper	AMP1531AU*
Flexible Lifetime - Super	AMP1531AU*
Flexible Lifetime - Allocated Pension	AMP1543AU*
Flexible Lifetime - Investments (Series 2)	AMP2031AU**
SignatureSuper	AMP1555AU*
SignatureSuper Select	AMP1555AU*
SignatureSuper - Allocated Pension	AMP1567AU*

*Closed to new investors

**Closed to new and existing investors

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