

# Future Directions Emerging Markets

Quarterly Investment Option Update

31 March 2021

## 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](http://www.amp.com.au/performance)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
International shares	100
Cash	0
<b>Actual Allocation</b>	<b>%</b>
International Shares	96.59
Listed Property and Infrastructure	0.65
Cash	2.76

<b>Sector Allocation</b>	<b>%</b>
Information Technology	25.83
Financials	16.87
Consumer Discretionary	14.89
Communication Services	10.66
Materials	9.89
Industrials	6.01
Health Care	3.55
Consumer Staples	3.52
Energy	3.23
Cash	2.76
Utilities	1.69
Real Estate	1.09

<b>Top Holdings</b>	<b>%</b>
TSMC	7.13
Tencent Holdings Ltd	6.22
Samsung Electronics Co Ltd	5.80
Alibaba Group Holding Ltd	4.09
PING AN	1.87
Infosys Ltd	1.70
Vale SA	1.46
China Construction Bank Corp	1.35
MediaTek Inc	1.20
Hana Financial Group Inc	1.13

<b>Region Allocation</b>	<b>%</b>
Emerging Asia	77.17
Emerging Europe	6.20
Latin America	5.26
Middle East & Africa	4.12
Cash	2.76
Developed Asia x Aus x Jpn	2.40
Europe ex UK	1.39
United Kingdom	0.63
North America	0.08

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## Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the March quarter. All three of the Fund's underlying managers posted strong positive returns and outperformed the benchmark. The Fund has also posted strong positive returns over the longer term and has outperformed its benchmark over 1, 2, 3 and 5 years and since inception (annualised). (All returns are before fees.)

Country allocation contributed positively to relative returns over the period. The main contributors were overweight exposures to Taiwan and Luxembourg, and an underweight exposure to the Philippines. The main detractors were an underweight exposure to Saudi Arabia, and overweight exposures to Turkey and Cyprus.

Sector allocation also contributed positively to relative returns. The main contributors were overweight exposures to information technology and materials, and an underweight exposure to health care. The main detractors were underweight exposures to real estate and communication services.

Stock selection was the key driver of the Fund's outperformance, mainly due to positions in information technology, consumer discretionary, health care and industrials stocks.

The main individual contributor was an overweight position (on average) in Chinese silicon producer Daqo New Energy which surged early in period after inking two long-term supply agreements with leading solar equipment manufacturers. However, it fell over the whole period (-26.4%) due to a style rotation away from growth stocks into value stocks, and as investors became concerned about increased solar glass capacity which could impact its product pricing. Other contributors included an overweight position in Taiwanese integrated circuit manufacturer Novatek Microelectronics, which surged (+55.5%), and an underweight position in Chinese agriculture-focussed technology platform Pinduoduo, which declined (-23.7%) over the period.

The main individual detractor was an underweight position in Taiwanese electronics manufacturer Hon Hai Precision Industry (better known as Foxconn), which climbed (+34.5%) after announcing several deals related to producing electric vehicles. Other detractors included overweight positions (on average) in Chinese technology company Tencent Holdings which gained (+9.3%) and Chinese renewable energy company Xinyi Solar Holdings which fell (-36.2%) over the period.

## Market Review

Global shares rose strongly over the March quarter and experienced one of the most significant style rotations in many years, as money flowed out of mega-cap growth and 'stay-at-home' stocks into long underappreciated, value-oriented stocks. This move was accompanied by a dramatic surge in bond yields, as global fixed interest markets continued to price in a sustained recovery in economic growth. Key drivers pushing share markets higher included a resolution to the US election at the start of the year, which subsequently paved the way for further, massive levels of US fiscal stimulus, as well as the success of vaccine rollouts in the US and UK, which have unsurprisingly resulted in significantly improved virus numbers. Continued dovishness from central banks and global governments continuing to provide large amounts of further stimulus also stoked optimistic sentiment in share markets. However, volatility increased in the latter part of the quarter, as fears remained around bond yields continuing to rapidly climb. Worries also increased around vaccine efficacy against newer strains of COVID-19, as well as around some apparent roll-out difficulties in several countries, including Australia. Investors also continued to digest the potential implications of the new Biden Presidency, with concerns simmering around large tax rises flagged by the government, as well as potential inflationary issues in the US amid the sheer amount of flagged further stimulus.

Emerging markets also rose amid the continuing global recovery, but less so than their developed counterparts over the quarter, as markets continued to expect the US recovery to outpace emerging countries over the medium term. Europe, Middle-East and African markets performed well, particularly the commodity exporters such as South Africa and Russia, although Turkey was the worst performing market after its President sacked the central bank's governor after it raised interest rates. Latin American markets lagged, despite their exposure to commodities, led by the Brazilian market which has come under pressure due to concerns about the prevalence of a more contagious variant of COVID-19. Finally, Asian markets were mixed, with Taiwan, India and Thailand outperforming. There was a clear shift away from China's technology giants and also evidence that the country's strong economic rebound was starting to fade.

## Outlook

With valuations remaining stretched in many areas, and upward pressure on bond yields and inflationary concerns as further stimulus packages are rolled out, the medium-term outlook for global shares remains difficult to predict. Elevated volatility is likely to remain. Following the US's most recent US\$1.9 trillion stimulus package, the market

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awaits more in-depth details of the infrastructure plan and how this will impact policies, tax codes, and corporate America in general. We continue to believe investors should exercise caution, particularly where prices have risen quickly, and where valuations factor in perfection. Amid changing consumer dynamics, many companies will likely face challenging conditions for some time, while stronger businesses are likely to emerge post the COVID-19 vaccine implementation with gained market share. Governments generally continue to implement supportive monetary and, to an increasing extent, fiscal programmes to ease shorter-term economic stress. The hope is that post vaccine rollout, economies will be resilient enough to return to growth relatively quickly. However, recently there have been signs of further waves of pandemic breakouts with different strains, which will add to uncertainty. Despite uncertainty in the near term, we believe the long-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.

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## 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

\*\*Closed to new and existing investors

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