

Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

30 September 2021

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 (AUD unhedged). 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 longer term 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 abrdn 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

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

Sector Allocation	%
Energy	3.8
Materials	8.8
Industrials	5.6
Consumer Discretionary	13.5
Consumer Staples	5.1
Health Care	3.2
Financials	19.9
Information Technology	29.0
Communication Services	7.4
Utilities	1.0
Real Estate	1.5
Cash	1.3

Regional Allocation	%
Asia	75.3
Africa and Middle East	2.2
Emerging Europe	10.9
Latin America	10.2
Cash	1.3

Top Holdings	%
Taiwan Semiconductor Manufacturing	9.29
Samsung Electronics	8.54
Tencent Holdings	4.99
ALIBABA Group Holdings	3.93
Housing Development Finance	2.93
TATA Consultancy	2.62
Wuxi Biologics	2.26
Xian Longji Silicon	2.25
Novatek OAO	2.11
LG Chem	2.02

Investment Option Commentary

Stock selection in China continued to be a major driver of returns, despite the market coming under considerable pressure over the quarter. The exposure to Chinese renewables was the highlight as heavy-handed regulation positively affected sectors viewed as well aligned to government objectives. Nari Technology led returns thanks to its alignment to clean energy objectives and recent power constraints. Sungrow Power Supply and Yunnan Energy New Material were also positive contributors. However, some stocks in sectors that came into the cross hairs for policy tightening saw a sharp correction, including the holdings in education and gaming, New Oriental Education and Sands China. Regulation in the education sector impaired the investment case for New Oriental to such an extent that the fund sold the stock following the announced reforms.

Returns from Russia were strong over the period as energy prices surged. Novatek was one of the top contributors at the stock level, thanks to expectations for better valuation of liquefied natural gas (LNG) projects, which form the bedrock of future company growth. Oil producer Lukoil was also a beneficiary of rising oil prices. However, not holding Gazprom hurt performance. In a move that boosts its green credentials, the Russian energy giant is partnering with airline operator Aeroflot to develop aviation fuel formulations with a lower carbon footprint. Meanwhile, the Fund's lack of exposure to any stocks in the oil-heavy Middle Eastern markets was also a negative.

India outperformed on the back of economic recovery and supportive macroeconomic conditions. The stock selection was strong over the quarter, as the core holdings in HDFC, Tata Consultancy Services (TCS) and SBI Life outperformed. HDFC is a key beneficiary of the recovering housing market, TCS benefited from healthy demand for information technology services and SBI Life was helped by an improving product mix and demand. Elsewhere in India, not holding Reliance Industries was negative as an earnings recovery gathered pace.

Returns from Brazil were weak over the quarter, as concerns around the upcoming election and spillover from the China slowdown affected sentiment. The holding in iron ore miner Vale was a major detractor, as the company is seen as particularly exposed to the China property market and amid lower demand for steel. Elsewhere, worries about slowing economic growth were a headwind for Banco Bradesco.

Market Commentary

Global emerging markets equities fell over the third quarter, lagging developed markets. Performance in China weighed on the asset class due to worries over contagion from Chinese real estate giant Evergrande's debt crisis, ongoing regulatory tightening and power supply issues through the country. The continued spread of the Delta variant of Covid-19 also dented performance, due to the generally slower vaccination rollouts in emerging economies.

Outlook

Despite China's regulatory agenda related to social equality, data security and environmental sustainability, the fund manager believes that Beijing remains pro-innovation and, in the long term, a greater focus on social equality should put the economy on a more sustainable footing. It is a similar story with the shift in the country's growth model to have less reliance on the property sector. The fund manager also believes the global economic recovery is supported by accelerating vaccination rates that allow an easing of mobility restrictions. This should mitigate the pockets of inflationary pressure in parts of emerging markets tied to rising energy prices and near-term supply chain disruptions. With central banks across emerging markets on the front foot, and external balances mostly in good shape, the fund manager views the risks associated with Fed tapering as manageable for most of the asset class.

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

*Closed to new investors

**Closed to new and existing investors

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