

# Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

31 December 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. 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 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/performance](http://amp.com.au/performance)

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

Asset Allocation	Benchmark (%)	Actual (%)
Emerging Markets Equities	100.0	98.9
Cash	-	1.1

Sector Allocation	%
Energy	3.2
Materials	10.4
Industrials	5.1
Consumer Discretionary	17.5
Consumer Staples	4.7
Health Care	3.2
Financials	17.6
Information Technology	27.9
Communication Services	6.7
Utilities	1.1
Real Estate	1.3
Cash	1.1

Regional Allocation	%
Asia	75.5
Africa and Middle East	4.8
Emerging Europe	7.3
Latin America	11.3
Cash	1.1

Top Holdings	%
Taiwan Semiconductor Manufacturing	9.09
Samsung Electronics	8.72
Tencent Holdings	5.47
ALIBABA Group Holdings	5.10
Vale Pref	2.82
Longi Green Energy Technology	2.59
Housing Dev Finance	2.49
Tata Consultancy Services	2.34
Naspers	2.30
Wuxi Biologics Cayman	2.27

## Investment Option Commentary

The Fund underperformed over the quarter, compared with the MSCI Emerging Markets Index. Underperformance was primarily due to negative stock selection. Rate hikes globally led to tighter financial conditions and contributed to the relative outperformance of value stocks in the region, which further weighed on our returns.

In China, biotechnology companies Wuxi Biologics and Hangzhou Tigermed were hurt by concerns that the US might place some Chinese biotechnology companies on its restricted entity list. Both stocks remain long-run beneficiaries of China's drive for self-sufficiency. Conversely, Nari Technology gained, ending the quarter as one of the top stock level contributors, as the 14th Five-Year Plan underpinned potential for grid investment and a more aggressive grid upgrade.

Sector-wise, e-commerce companies were buffeted by concerns about rising interest rates, intensifying competition, increasing regulation and the rotation away from growth companies. Sea, MercadoLibre and Allegro all succumbed to market concerns, though our lack of exposure to Pinduoduo proved favourable. Electric vehicle producers were similarly hurt by the rotation away from growth stocks; LG Chem and Samsung SDI ended the quarter as detractors.

Returns from across the semiconductor ecosystem helped the fund. ASML and ASM International, continued to outperform. TSMC also benefited from the attractive supply and demand dynamics for the industry. On the other hand, not holding either MediaTek or SK Hynix detracted.

The top stock level contributor was Anglo American Platinum. The South African miner advanced as platinum group metals benefited from an expected recovery in auto-related demand amid easing semiconductor chip shortages.

## Market Commentary

Emerging market equities fell in the fourth quarter, lagging developed markets. Gains at the start of the quarter proved short-lived after sentiment was hit by the emergence of the Omicron coronavirus variant, persistent inflation and the hawkish monetary policy environment. The Omicron outbreak prompted renewed lockdowns and fresh travel curbs, and stoked concerns about further supply chain disruptions. However, fears abated towards the period-end as Omicron cases appeared less severe compared with earlier strains.

## Outlook

2021 was a year of stark underperformance and lacklustre absolute returns for emerging markets, despite a very strong earnings recovery over the year. This has left the asset class at an extreme relative discount to global developed markets and US equities, indicating a potentially attractive entry point.

Looking ahead, Aberdeen expect inflation to remain a concern in 2022. With supply chain pressure easing and stimulus effects fading, inflation may normalise, though this should be balanced against rising wages, which may indicate stickier inflation. Currently, bond markets are pricing in a significant tightening cycle in the US, perhaps overlooking the transitory nature of some inflation drivers.

Globally, the investment cycle is turning after years of decline. Green infrastructure should feature heavily in renewed investment, and this is an area in which emerging market companies are especially prominent. There are several positions in our portfolios that should benefit from these trends, including renewable energy and technology hardware companies.

## Availability

Product name	APIR
SignatureSuper	AMP1555AU*
SignatureSuper Allocated Pension	AMP1567AU*

\*Closed to new investors

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)

Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)

Phone: 131 267



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