

# Future Directions Emerging Markets

Quarterly Investment Option Update

30 June 2022

## 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 this product, please visit [www.amp.com.au/performance](http://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 (%)
Global shares	100
Cash	0

Actual Allocation	%
Global Shares	96.24
Listed Property and Infrastructure	0.13
Cash	3.63

Sector Allocation	%
Information Technology	20.49
Financials	19.91
Consumer Discretionary	11.20
Materials	10.46
Communication Services	9.43
Consumer Staples	6.57
Industrials	6.07
Energy	4.86
Utilities	3.65
Cash	3.63
Health Care	2.85
Real Estate	0.88

Top Holdings	%
TSMC	6.46
Samsung Electronics Co Ltd	4.36
TENCENT HOLDINGS LTD	3.86
ALIBABA GROUP HOLDING	3.19
RELIANCE INDUSTRIES LTD	2.04
NetEase Inc	1.91
Infosys Ltd	1.65
Vale SA	1.35
SINOPEC CORP	1.20
Wal-Mart de Mexico SAB de CV	1.19

Region Allocation	%
Emerging Asia	75.56
Middle East & Africa	7.54
Latin America	6.73
Cash	3.63
Developed Asia x Aus x Jpn	2.73
Emerging Europe	1.46
United Kingdom	1.20
Europe ex UK	0.89
North America	0.25
Others	0.01

## Fund Performance

The Fund posted a negative return and underperformed the benchmark (before fees) for the quarter, with our underlying managers producing mixed performances. Longer-term performance remains positive, with the Fund outperforming its benchmark over 1, 2, 3 and 5 years, and since inception (before fees)

Sector allocation was the main driver of underperformance, though stock selection was also negative.

Top contributors included overweights in Bosideng International, Tsingtao Brewery and East Money Information. Bosideng shares jumped (+45%) over the period, as the down jacket manufacturer and retailer reported strong profit margins for FY22 and provided a solid outlook. Tsingtao Brewery shares rallied (+43%) amid an uplift in profits as COVID restrictions were eased in China. East Money Information shares climbed (+25%), as the online brokerage and mutual fund distribution company reported solid profits.

Top detractors included overweights in Anglo American, Silergy and Samsung Electronics. Shares in Anglo American fell heavily (-26%) as the miner reported a significant decline in production amid elevated COVID-19 worker absences as well as weather related issues in Africa and Brazil. Silergy shares steadily fell through the quarter (-27%) amid continued tough conditions for circuit manufacturers. Samsung shares were lower (-16%), despite reporting reasonable profits, on continued concern around supply chain issues.

## Market Review

Global shares fell significantly over the June quarter as the combination of prevailing high inflation, rising interest rates and fear of recession continued to dent market optimism. A highly volatile energy market also impacted, exacerbated by the Russian war on Ukraine which further stoked market fears. The MSCI World ex Australia index returned -14.4% over the quarter, capping off one of the worst consecutive two quarters for performance in around 50 years. Some positives however did emerge, including China easing its lockdown restrictions and Fed officials slightly reining in their recent hawkish tone as some very tentative signs inflation may be close to a peak appeared. While corporate earnings growth has generally remained solid, management comments around increased cost pressures was another theme also likely factored into the price falls. Emerging markets also fell significantly, though to not as a great a degree as their developed peers, returning -8.1%, as measured by the MSCI Emerging Markets index. China's easing of lockdowns appeared to be the prime driver of the outperformance. Meanwhile a strong US dollar may have likely capped stronger performance for emerging markets, as the majority of emerging market debt is held in this currency. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

As central banks continue to raise rates amid record levels of global debt, markets have begun to factor in a growing likelihood of recession, as well as inflation prevailing for some time yet. Corporate earnings remain mostly strong, though some companies have noted increased costs eating into margins. Russia's war on Ukraine meanwhile is continuing to exacerbate global supply chain issues. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. While further short-term volatility may ensue, we continue to believe the longer-term trend will remain to the upside, and that investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well.

## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1117AU**
Flexible Lifetime - Investments (Series 2)	AMP1414AU**
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*
SignatureSuper Term Pension	AMP1153AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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