



Future Directions Emerging Markets

Quarterly Investment Option Update

31 December 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

Investment Option Overview

Investment category	Global Shares
Suggested minimum investment timeframe	7 years
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
Global Shares	94.82
Listed Property and Infrastructure	0.18
Cash	4.99

Sector Allocation	%
Financials	20.95
Information Technology	19.08
Consumer Discretionary	13.03
Materials	9.18
Communication Services	6.94
Consumer Staples	6.84
Industrials	6.52
Cash	4.99
Energy	4.63
Utilities	2.94
Health Care	2.90
Real Estate	2.02

Top Holdings	%
TSMC	6.08
Samsung Electronics Co Ltd	4.35
Alibaba Group Holding Ltd	2.95
Tencent Holdings Ltd	2.54
Reliance Industries Ltd	1.96
Meituan	1.91
Infosys Ltd	1.74
VALE SA	1.66
NetEase Inc	1.62
Naspers Ltd	1.47

Region Allocation	%
Emerging Asia	69.67
Middle East & Africa	8.97
Latin America	8.71
Cash	3.96
Emerging Europe	2.48
Developed Asia x Aus x Jpn	2.45
North America	1.38
United Kingdom	1.33
Europe ex UK	1.07

Fund Performance

The Fund posted a positive return and underperformed the benchmark in the December quarter. After what had been a difficult nine months prior for investment markets, during the quarter all of the Fund's three underlying managers delivered positive returns however underperformed the benchmark, with Lazard the top performer. Over the long-term, Fund performance remains positive overall for 5 years, and since inception.

Over the quarter, stock selection was the primary detractor, particularly within communication services, with sector allocation also hampering the relative return overall, while country allocation was broadly neutral.

At an individual stock level, significant detractors for the quarter included an underweight exposure to Tencent and overweight holdings in Telekom Indonesia Persero and Sociedad Quimica and Minera. Chinese technology conglomerate Tencent (+20%) rose alongside a number of leading Chinese internet companies as China's market rebounded overall. Telekom Indonesia Persero (-22%) suffered as the market rotated into other sectors offering potentially better growth. Lithium producer Sociedad Quimica and Minera (-16%) fell with after profit-taking in the Chilean market was prompted by its central bank's hawkish comments.

Significant contributors included overweight positions in AIA Group and Naspers and an underweight exposure to NIO Inc. Asia-focused insurer AIA Group (+26%) recovered on optimism that China's steps to reopen could lead to less sales disruption in mainland China. A rally in Naspers (+24%), one of Tencent's shareholders, partially offset the detraction from the Tencent position. Chinese electric car company NIO Inc (-42%) fell heavily amid fears high inflation and lower growth may reduce demand for its electric vehicles.

Market Review

International sharemarkets rose over the December quarter, with volatility remaining elevated, as was the case through most of the calendar year. Shares made strong gains through October and November as markets began to factor in inflation showing signs of peaking and central banks accordingly toning back their hawkish commentary. December however saw shares pull back, amid a realisation that rates may still be higher for longer in order to keep inflation under control. Economic data, largely unsurprisingly, also became increasingly indicative of potential recessionary conditions ahead, though this is not guaranteed; and, for long-term investors, perhaps not materially important. Interestingly, shares continued to show a propensity to rise on negative economic data surprises and fall on positives, highlighting the dominant role of the potential interest rate path in influencing short-term trading. Emerging markets were also strong over the period, notably in Chinese, Korean and Taiwanese markets. In late December, China began a sudden exit from its draconian 'zero-COVID' policy, while meanwhile supply chain issues to and from Europe continued to slowly improve through the quarter. A relatively weaker US dollar also likely helped emerging markets.

Outlook

As central banks continue to raise interest rates, markets appear to have factored in a strong likelihood of recession. Corporate earnings are facing headwinds, with increased costs eating into margins often reflected by downwards revisions to earnings estimates. Meanwhile, the continued push in the west away from traditional energy sources, such as oil and coal, is likely to continue to drive uncertainty in energy markets. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. Share price volatility tends to create stronger investment opportunities and we believe investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well in the long-term.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1117AU**
Flexible Lifetime - Investments (Series 2)	AMP1414AU**

**Closed to new and existing investors

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