Future Directions Emerging Markets

Quarterly Investment Option Update

31 March 2023

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	%
International Shares	97.28
Listed Property and Infrastructure	0.35
International Fixed Interest	0.80
Cash	1.56

Sector Allocation	%
Information Technology	21.06
Financials	20.22
Consumer Discretionary	13.67
Materials	8.80
Communication Services	7.36
Industrials	6.97
Consumer Staples	6.86
Utilities	3.62
Health Care	2.89
Energy	2.78
Real Estate	2.43
Cash	2.37
Futures	0.97

Top Holdings	%
TSMC	6.89
Samsung Electronics Co Ltd	4.68
Alibaba Group Holding Ltd	3.39
Tencent Holdings Ltd	3.16
Naspers Ltd	1.80
Infosys Ltd	1.70
MediaTek Inc	1.37
PING AN	1.35
VALE SA	1.25
NetEase Inc	1.14

Region Allocation	%
Emerging Asia	71.43
Latin America	9.93
Middle East & Africa	9.07
Developed Asia x Aus x Jpn	2.22
Europe ex UK	1.87
Cash	1.56
North America	1.42
Emerging Europe	1.40
United Kingdom	1.10

Fund Performance

The Fund posted a positive return and outperformed the benchmark in the March quarter. All of the Fund's three underlying managers delivered strong positive returns as well as comfortably outperforming the benchmark, led by Schroders. Over the long-term, Fund performance remains positive overall for 5 years, and since inception.

Over the quarter, stock selection was the primary contributor to Fund returns, particularly within consumer staples and industrials, whereas sector allocation detracted somewhat from the relative return due to an underweight exposure to communication services. while country allocation was also slightly negative overall.

At an individual stock level, the most significant contributor for the quarter was the nil position in Adani Enterprises. The Indian coal and iron ore company (-54%) fell heavily after the release of a report alleging potential accounting fraud by the highly-indebted Adani group of companies. The Fund also benefitted from overweight holdings in Taiwanese semiconductor company MediaTek (+29%), which was buoyed alongside peers by expectations of improving orders and Mexican conglomerate Grupo Mexico (+38%), which surged on strengthening copper prices.

Significant detractors for the quarter included an underweight exposure to Tencent and overweight holdings in Anglo American and TAV Airports Holding. Chinese technology conglomerate Tencent (+21%) rose after China's regulator further eased its crackdown on the gaming industry to grant approval to gaming licenses early in the quarter. Multinational miner Anglo American (-12%) suffered on generally lower projected metals prices amid concerns China's reopening was faltering. Turkish airport operator TAV Airports Holding (-21%) fell along with the broader market after the country experienced a very large and tragic earthquake.

Market Review

Despite some volatility, international shares rose strongly over the March quarter, with the MSCI World ex Australia index finishing the period up by 7.5% in local currency terms. Reflecting recent previous quarters, the policy and tone of the central banks seemed to have prime influence over the market's direction, compared to economic fundamentals. Exemplifying this was the sudden emergence of solvency concerns in regional US banks after the collapse of Silicon Valley and Signature banks, as well as the rescue of Credit Suisse courtesy of a UBS takeover, combined with the help of the Swiss National Bank. For the remaining weeks of the quarter however sharemarkets generally rose strongly, as traders were spurred on by a prompt move from global central banks to limit any contagion, by way of providing significant cheap liquidity. Emerging markets were also quite strong, though underperformed developed peers, returning 3.8% for the period. The previous quarter's rally driven by the Chinese economic reopening largely petered out amid heightening US-Chinese political tensions, as China continued efforts to increase ties with Russia. A strong US dollar also likely kept a lid on returns, given the large amount of US debt owned in emerging economies. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

After many months of rate rises from central banks, signs are emerging more broadly that global inflation has indeed topped out and a recession appears quite likely, though not guaranteed. In any case, for long-term investors, this generally shouldn't be a concern, as these conditions are part of the normal economic cycle. While the environment may toughen for companies, stronger businesses will likely emerge with increased market dominance. Furthermore, share prices tend to lead the economic cycle, rather than be synchronised to it. We believe a diverse basket of businesses bought at reasonable prices, particularly those with strong competitive advantage that generate high amounts of cash from their shareholders' capital, will serve investors well over 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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