

# AMP Capital Asian Equity Growth

Quarterly Investment Option Update

30 June 2016

## Aim and Strategy

To provide total returns (capital growth and income) above the MSCI All Country Asia ex-Japan Net Index (AUD) over the long term, through investment in a portfolio of Asian equities (diversified by sector and geography). The portfolio targets listed investment opportunities across the Asia (ex-Japan) region in developed and emerging markets including those in Greater China, the Indian Sub-continent, and East and South-East Asian regions such as Hong Kong, Korea, Singapore, Taiwan and Indonesia. The portfolio gains exposure to companies operating in China primarily through Hong Kong listed securities. For companies in India, the portfolio primarily accesses Indian exchanges directly. The portfolio generally invests in companies with a market capitalisation over US\$1 billion and may also invest in cash and other securities. In normal circumstances, the portfolio is not hedged to the Australian dollar; however hedging may be implemented where required to enhance returns or manage risk. Derivatives such as options, futures, swaps or credit derivatives may be used.

## Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

## Availability

Product name	APIR
<a href="#">AMP Flexible Lifetime Super</a>	AMP1599AU
<a href="#">AMP Flexible Super - Retirement account</a>	AMP1623AU
<a href="#">AMP Flexible Super - Super account</a>	AMP1614AU
<a href="#">CUSTOM SUPER</a>	AMP1599AU
<a href="#">Flexible Lifetime - Allocated Pension</a>	AMP1635AU
<a href="#">METCASH SUPERANNUATION PLAN</a>	AMP1599AU
<a href="#">Signature Super</a>	AMP1605AU
<a href="#">Signature Super Allocated Pension</a>	AMP1629AU

Top 10 International Shares Exposure	%
Tencent Holdings Ltd	6.15
Samsung Electronics Co Ltd	5.43
TSMC	4.99
AIA Group Ltd	3.73
PING AN	3.11
China Construction Bank Corp	2.88
China Mobile Ltd	2.81
HKEX	2.31
Alibaba Group Holding Ltd	2.03
Samsung Fire & Marine Insuranc	1.77

## Investment Option Overview

**Investment category** Global Equities

**Suggested investment timeframe** 5 years

**Relative risk rating** High

**Investment style** Growth

Asset Allocation	Benchmark (%)	Range (%)
International shares	100	90-100
Cash	0	0-10

Industry Exposure	%
Information Technology	30.00
Financials	29.54
Consumer Discretionary	8.66
Cash	8.15
Consumer Staples	5.83
Industrials	5.65
Materials	4.32
Telecommunication Services	4.18
Health Care	2.58
Energy	0.60
Utilities	0.49

Country Exposure	%
China	32.70
Republic of Korea	19.74
Taiwan	13.63
Hong Kong	9.70
India	8.65
Cash	8.15
Philippines	2.82
Singapore	2.37
Indonesia	2.25
Malaysia	0.00
Thailand	0.00

## Portfolio Summary

- > The Fund posted a slightly negative return that marginally underperformed the benchmark during June
- > The fund benefitted from consumer staples and utilities sectors, offset by IT, telecom and industrials sectors; overweighting the Philippines contributed to relative performance
- > The slowing growth rate of China continues to be weighed against favourable government policies

## Investment Option Commentary

The Fund posted a slightly negative return that marginally underperformed the benchmark during June, in Australian dollar terms before fees and taxes.

Overweight positions in the Philippines (where Metro Pacific Investments is a beneficiary of infrastructure development) contributed to relative performance. However an underweight position in Taiwan and an overweight position in Korea detracted.

At the sector level, consumer staples and utilities were the major contributors to relative performance. IT, telecom and industrials were the major detractors.

During the month, the Fund increased its overweight exposure to IT and financials; it reduced its overweight in consumer discretionary, and reduced its underweight in consumer staples.

## Market Commentary

Asian equity markets experienced elevated volatile in June, with high levels of selling following the unexpected UK referendum result. However, emerging market markets had rebounded by the end of the month, as investors focussed upon potential rate cuts by global central banks and more attractive valuation levels. The lower-for-longer outlook for interest rates might be the key catalyst for a recovery in emerging markets in the second half of 2016. MSCI's decision to delay the inclusion of China A-shares in its emerging markets index disappointed investors but China's May activity indicated a modest recovery in the second quarter of 2016. A positive development was the India Government accepting the 7th Pay Commission's recommendations, which will boost consumption in the country. Indonesia also passed a tax amnesty law, which is considered positive for the local property and auto market.

## Outlook

Asian ex-Japan markets remain attractive on a longer term basis, especially China, Korea and Taiwan, which trade at levels below their long term averages. In Korea the Fund will continue to focus on stocks that are generating earnings growth.

In light of the improving economy the fund's South Asia exposure will be reviewed and the weighting may be increased when appropriate.

In China the Fund will focus on high quality companies that are positioned to benefit from the economic recovery. Moreover the slowing growth rate of China will be weighed against the favourable government policies, currency depreciation and falling commodity prices.

## Contact Us

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

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

**Phone:** 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)

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