

Future Directions Asian Share

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

To provide high returns over the long term, whilst accepting a higher level of volatility, through a diversified portfolio of international shares within the Asia ex-Japan universe. The objective is to provide a total return, after costs and before tax, above the return from the MSCI All Countries Asia ex-Japan (Unhedged) Index on a rolling 3 year to 5 year basis.

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1197AU
AMP Flexible Super - Retirement account	AMP1344AU
AMP Flexible Super - Super account	AMP1473AU
CUSTOM SUPER	AMP1197AU
Flexible Lifetime - Allocated Pension	AMP1201AU
Flexible Lifetime Investment	AMP1205AU
Flexible Lifetime Investment (Series 2)	AMP1408AU
Signature Super	AMP1211AU
Signature Super Allocated Pension	AMP1220AU

Investment Option Overview

Investment category	Specialist Equities
Suggested investment timeframe	7+ years
Relative risk rating	High
Investment style	Multi-Manager

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

Top Ten International Shares Exposure	%
Tencent Holdings Ltd	6.99
Samsung Electronics Co Ltd	6.86
TSMC	5.23
Alibaba Group Holding Ltd	5.19
China Construction Bank Corp	3.20
AIA Group Ltd	2.37
PING AN	2.22
Hon Hai Precision Industry Co	2.00
CNOOC Ltd	1.83
KB Financial Group Inc	1.78

Industry Exposure	%
Information Technology	34.93
Financials	26.77
Consumer Discretionary	9.62
Real Estate	5.88
Materials	5.71
Energy	5.20
Industrials	3.00
Consumer Staples	2.34
Health Care	1.92
Telecommunication Services	1.89
Utilities	1.52
Cash	1.22

Country Exposure	%
China	38.24
Republic of Korea	17.24
Hong Kong	11.39
Taiwan	10.99
India	9.14
Singapore	3.03
Malaysia	2.65
Indonesia	2.17
Thailand	2.01
Cash	1.22
United Kingdom	0.86
Philippines	0.55
United States	0.53

Country Exposure	%
Other	0.00

Portfolio Summary

- > International equity markets saw yet another very strong quarter and were again accompanied by very low levels of volatility.
- > The Fund posted a strong positive return for the quarter, outperforming its benchmark.
- > We still expect shares to trend higher over the next 12 months, helped by the synchronised pickup in global economic activity data.

Investment Option Commentary

The Fund posted a strong positive return for the quarter, outperforming its benchmark. Both Investec and Lazard posted positive returns and outperformed the benchmark. Country allocation had a broadly neutral impact on the Fund's performance relative to the benchmark while stock selection and industry allocation both had a positive impact.

In terms of country allocation, the Fund benefited from an underweight allocation to Taiwan while an overweight allocation to China was the main negative. In terms of stock selection, holdings in Hong Kong and Singapore were the main contributors, while India was the main detractor.

At the industry level, the Fund benefited primarily from underweight allocations to the information technology and telecommunications services sectors. An underweight allocation to consumer staples was the main detractor. In terms of stock selection, holdings in financials and consumer discretionary were the main contributors while holdings in information technology detracted.

Hong Kong insurance company Ping An Insurance was among the key contributors to performance over the quarter. Its share price surged in November when the Chief Financial Officer told media that the firm's technological offering was currently under-rated and that the company would likely benefit from spinning off its technology units for listing. The company's share price more than doubled over 2017, making it the world's second largest insurer by market value.

Conversely, US-listed Chinese consumer finance company Qudian was the main detractor with its share price plummeting after the mid-October initial public offering.

Market commentary

International equity markets saw yet another very strong quarter and were again accompanied by very low levels of volatility. Globally, conditions remain in somewhat of a sweet-spot, with strong economic growth and supportive financial conditions, even as the US (and others) raised interest rates. Global shares ended the period up around 5.3%, as measured by the MSCI World ex Australia Net Index in local currency terms. (The return was slightly stronger in Australian dollar terms due to currency movements.) The US S&P 500 Total Return Index continued to climb through record-highs and closed the quarter up 6.6% (in US\$ terms) as corporate earnings remained strong and President Trump's proposed tax cuts continued to drive optimism. Most other major markets were also very strong, with Japan's TOPIX 100 Net Total Return Index up 8.7%, UK's FTSE 100 Accumulation Index returning 5.0% and the Chinese S&P/CITIC300 Total Return Index returning 6.0%. Continental European shares however ended the quarter close to flat. Emerging markets also did well, the MSCI Emerging Markets Accumulation Index closing up another 5.7% and outperformed their developed counterparts as they continued to benefit from the global pickup in trade and generally strong resource prices (All figures in local currency terms).

Outlook

Although the US administration has been broadly positive for stocks, there has been considerable uncertainty regarding future actions, particularly before the signing into law of the tax reforms in late December and some continuing political uncertainty. However, following any short-term weakness, we still expect shares to trend higher over the next 12 months, helped by the synchronised pickup in global economic activity data and the flow-through to growth and corporate earnings.

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