

Future Directions Asian Share

Quarterly Investment Option Update

30 September 2018

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 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 Country Asia ex Japan Net Index on a rolling 3 to 5 years basis.

Investment Option Performance

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

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	7 years
Relative risk rating	High
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Top Holdings	(%)
TSMC	6.44
Alibaba Group Holding Ltd	5.66
Samsung Electronics Co Ltd	5.50
Tencent Holdings Ltd	3.40
CNOOC Ltd	2.84
AIA Group Ltd	2.73
PING AN	2.50
Baidu Inc	2.26
Infosys Ltd	1.91
Cheung Kong Holdings Ltd	1.75

Industry Exposure	(%)
Financials	26.34
Information technology	23.87
Consumer discretionary	15.05
Real estate	8.55
Energy	5.39
Consumer staples	4.35
Materials	4.31
Industrials	2.84
Utilities	2.71
Health care	2.52
Telecommunication services	2.13
Cash	1.93

Country Exposure	(%)
China	33.82
Hong Kong	15.13
Republic of Korea	13.41
Taiwan	12.47
India	10.81
Singapore	3.37
Thailand	2.87
Malaysia	2.82
Cash	1.93
Indonesia	1.64
United Kingdom	0.71
United States	0.60
Philippines	0.42
Other	0.00

Portfolio Summary

- > China was Asia's weakest market during the September quarter, weighed down by ongoing trade tensions and disappointing macro data.
- > The Fund posted a negative return for the period and underperformed its benchmark.
- > Price pressure is expected to generate stock-specific investment opportunities.

Fund Performance

The Fund posted a negative absolute return (before fees) for the September quarter and underperformed its benchmark. Underlying manager Lazard delivered a positive return, however both Lazard and Investec underperformed the benchmark. Asset allocation at sector level made a positive contribution to relative returns, but this was outweighed by the negative impact of stock selection. Allocation at a country level was broadly neutral.

At the industry level, the Fund benefited primarily from an underweight allocation to the communications services sector. An underweight allocation to industrials was the main detractor. In terms of stock selection, holdings in financials and information technology were the main contributors, while health care and consumer discretionary were the main detractors.

Oil and gas company CNOOC (+20%) was the single best performing stock over the quarter. The company was the beneficiary of rising oil prices during the period, reaching their highest level since the 2015 crash. Conversely, the largest stock detractor was an overweight position in Chinese pharma CSPC Pharmaceutical Group (-28%). During the period the company was impacted along with other Chinese pharmaceuticals after Chinese Premier Li Keqiang said the process of drug manufacturing should be more strictly overseen following a vaccine scandal in the country.

Market Commentary

While shares, particularly those in developed markets, were up strongly in the September quarter, some emerging markets struggled during the quarter, as the strong US dollar fanned currency outflows from markets such as Turkey, where inflation was recently estimated to be running at over 100% on an annual basis. Within Asia, China was one of the weaker markets, as the ongoing trade tensions with the US and disappointing macroeconomic data weighed on the market. As measured by the MSCI benchmark and related country indices, of the major markets the better performing were Thailand and Taiwan, while China and India were laggards.

Outlook

Although economic fundamentals remain broadly positive for stocks, the potential for a US initiated trade war has increased, resulting in increased volatility and uncertainty. However, at this juncture, unless trade war risks escalate significantly, we still expect shares to trend higher over the next 12 months, helped by the expected continued pickup in global economic activity data outside the US and the flow-through to growth and corporate earnings. Although some election outcomes in the Eurozone have recently been decided, reducing uncertainty, there remain some unresolved tensions between member states which have impacted some European markets. Emerging market equities are likely to remain under pressure while the threat of a trade war remains and the US dollar remains strong. Japanese and individual European equities continue to be our pick to see the better performance on a valuation basis in the current global macro-environment.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1197AU*
AMP Flexible Super - Retirement account	AMP1344AU*
AMP Flexible Super - Super account	AMP1473AU*
CustomSuper	AMP1197AU*
Flexible Lifetime - Allocated Pension	AMP1201AU*
Flexible Lifetime - Investments (Series 1)	AMP1205AU*
Flexible Lifetime - Investments (Series 2)	AMP1408AU*
SignatureSuper	AMP1211AU*
SignatureSuper - Allocated Pension	AMP1220AU*

*Closed to new investors

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