Future Directions Emerging Markets

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, 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 please visit www.amp.com.au

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Global Shares	100
Cash	0

Actual Allocation	(%)
Global shares	95.47
Listed property & infrastructure	1.78
Cash	2.75

Industry Exposure	(%)
Financials	22.65
Information Technology	20.48
Consumer Discretionary	11.69
Materials	10.83
Energy	8.91
Consumer Staples	6.42
Industrials	4.93
Telecommunication Services	3.36
Health Care	2.82
Cash	2.75
Real Estate	2.73
Utilities	2.41
Others	0.03

Portfolio Summary

- The Fund posted a positive return in the September quarter, outperforming the benchmark (before fees).
- Emerging markets again lagged their developed market counterparts, with China, Turkey and South Africa among the weaker markets.
- Emerging market shares are likely to remain under pressure while the threat of a trade war remains and the US dollar remains strong.

Fund Commentary

The Fund posted a positive return in the September quarter, outperforming the benchmark (before fees). Schroders and Investec outperformed, whilst Lazard lagged the benchmark.

At the country level, the overall allocation impact was negative. The underweight allocation to Taiwan and overweight allocations to Turkey and Qatar were the main detractors from performance. This outweighed the positive contributions from underweight allocations to South Africa and India.

The overall impact of sector allocation was positive, primarily reflecting the contributions from being underweight to the communications and consumer discretionary sectors.

Security selection contributed overall to returns. At the security level, the largest single contributor to Fund performance was the Fund's underweight holding in South African conglomerate Naspers (-13%). Shares in the company, which owns 31% of Chinese internet giant Tencent, fell after Tencent posted lower-than-expected earnings for the June quarter, and as the more expensive growth stocks sold off sharply in general. Other significant contributors included the Fund's underweight holding in JD.com (-32%) and overweight holding in Taiwan Semiconductor Manufacturing (+23%).

The largest single 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. Other significant detractors included the Fund's underweight holdings in Indian conglomerate Reliance Industries (+25%) and Chinese telecommunications company China Mobile (+16%).

Market commentary

Developed share markets were up strongly in the September quarter, including the US where the S&P 500 total return index ended the period up a scorching 7.71%, touching record highs in the process. Trade-related developments, while providing a source of volatility (both on the positive and negative side) were again a feature. Emerging markets continued to lag over the period, with China one of the weaker markets, as the ongoing trade tensions with the US and disappointing macroeconomic data weighed on the market. Some other emerging markets also 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. South Africa also underperformed on the back of concerns about its sizeable current account deficit and political uncertainty. Commodity prices however provided some support to many emerging markets such as Russia, which performed well on the back of the stronger oil price and the MSCI Emerging Markets total return index finished down by just 0.04%. (All figures quoted in local currency terms.)

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 Super - Retirement account	AMP1350AU*
AMP Flexible Super - Super account	AMP1479AU*
CustomSuper	AMP1103AU*
Flexible Lifetime - Allocated Pension	AMP1105AU*
AMP Flexible Lifetime Super	AMP1103AU*
Flexible Lifetime - Term Pension	AMP1109AU*
Flexible Lifetime - Investments (Series 1)	AMP1117AU*
Flexible Lifetime - Investments (Series 2)	AMP1414AU*
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*

*Closed to new investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)

INSIGHTS
IDEAS
RESULTS

What you need to know
This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believe to accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any references to the “Fund”, strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option’s aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

No other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.