

# Future Directions Asian Share

Quarterly Investment Option Update

31 December 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](http://www.amp.com.au)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Global shares	100
Cash	0

<b>Top Holdings</b>	<b>%</b>
TSMC	6.60
Samsung Electronics Co Ltd	5.47
Tencent Holdings Ltd	4.39
Alibaba Group Holding	3.25
AIA Group Ltd	2.89
Ping An	2.67
CNOOC Ltd	2.49
Infosys Ltd	2.17
Baidu Inc	1.96
China Telecom Corp Ltd	1.96

<b>Sector Allocation</b>	<b>%</b>
Financials	28.68
Information technology	27.41
Consumer discretionary	3.38
Real estate	9.66
Energy	5.66
Consumer staples	4.07
Materials	3.09
Industrials	3.05
Utilities	3.40
Health care	2.36
Telecommunication services	7.51
Cash	1.73

<b>Country Allocation</b>	<b>%</b>
China	35.06
Hong Kong	15.19
Republic of Korea	12.21
Taiwan	12.11
India	10.39
Singapore	2.91
Thailand	3.43
Malaysia	2.31
Cash	1.73
Indonesia	2.28
United Kingdom	1.13
United States	0.79
Philippines	0.46
Other	0.00

## Portfolio Summary

- The Fund posted a negative return for the December quarter and underperformed its benchmark.
- Asian markets fell overall, with export-sensitive markets such as China, Taiwan and South Korea among the weakest, weighed down by ongoing trade tensions and slowing growth fears.
- Both underlying managers recorded negative performance and lagged the benchmark.

## Investment Option Commentary

The Fund posted a negative absolute return (before fees) for the December quarter and underperformed its benchmark. Both underlying managers recorded negative performance and lagged the benchmark, with Lazard delivering better returns compared to Investec. Asset allocation at country and sector levels 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 positive, with the underweight allocation to South Korea and overweight position in Hong Kong the major contributors, while the Fund's cash position also enhanced returns as markets fell overall during the period. At the industry level, the Fund benefited primarily from overweight exposures to financials and real estate and an underweight allocation to the consumer discretionary sector. An overweight allocation to information technology was the main detractor. In terms of stock selection, holdings in information technology were the main contributors, while communications, consumer discretionary and financials were the main detractors.

At the security level, the Fund's overweight holding in Indian banking and financial services company HDFC Bank (+13%) was the single largest individual stock contributor over the quarter. The market welcomed the release of results for the September quarter during the period, which included a record profit and improved asset quality as the proportion of bad loans fell. Conversely, the largest stock detractor was an overweight position in Chinese pharma CSPC Pharmaceutical Group (-30%). During the period the company was impacted along with other Chinese pharmaceuticals after the release of pilot results for centralised bulk buying of medicines across several Chinese regions which showed significant price discounts could be obtained by this government tendering programme.

## Market Commentary

While developed market shares fell heavily in the December quarter, emerging markets, which had struggled throughout much of 2018, outperformed their developed peers during the period, though were still unable to escape the broader prevailing 'risk-off' sentiment. Within Asia, markets posted mixed results. Export-sensitive markets such as China, Korea and Taiwan experienced significant selling pressure and were among the weakest markets, impacted by continued evidence of a slowing global economy combined with concerns around the ongoing US-China trade war and rising US interest rates. Conversely, markets which are not as directly affected by the trade tariffs delivered positive returns, such as India, Indonesia and the Philippines.

## Outlook

The US-China focussed trade war and tariff regime have increased global risks, resulting in elevated volatility and uncertainty. There are global expectations for a positive outcome from the recently announced US-China tariff truce. In the meantime, global shares are likely to remain under pressure. European tensions remain high, particularly from Brexit uncertainty, Italian debt issues and French social dissension; all of which could add to short-term volatility. Emerging market shares remain under pressure with a strong US dollar pushing up funding costs. Until the final extent of the recent share sell-off is known and the global political landscape stabilises, it is too early to accurately judge the immediate economic prospects as we head into 2019.

## 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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