

Future Directions Extended Markets International Share

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis. The Fund is designed to blend specialist investment managers from around the world, with the aim of maximising returns and managing levels of risk. In structuring the Fund, we take a four-stage investment approach - setting objectives and asset allocation, targeted manager selection, portfolio construction and implementation, and ongoing portfolio and manager review. The Fund is normally invested in international shares, with a focus on small companies and emerging markets.

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	5 – 7 years
Relative risk rating	Very High
Investment style	Multi Manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	96.06
International Listed Property	2.17
Cash	1.77
Others	0.00

Region Allocation	%
Asia	65.68
Latin America	12.56
Europe	7.90
Middle East & Africa	7.43
Others	4.66
Cash	1.77

Sector Allocation	%
Financials	24.45
Information Technology	21.88
Materials	11.28
Energy	8.14
Communication Services	7.53
Consumer Staples	6.66
Industrials	5.47
Consumer Discretionary	4.60
Real Estate	3.01
Utilities	2.93
Health Care	2.28
Cash	1.77
Others	-0.01

Portfolio Summary

- The Fund posted a negative absolute return and underperformed the benchmark in the December quarter.
- Emerging markets continued to weaken, but outperformed their developed market counterparts during the period, with Mexico the worst of the major markets whereas Brazil performed best.
- Emerging market shares are likely to remain under pressure while the threat of a trade war remains and the US dollar remains strong.

Investment Option Commentary

The Fund posted a negative absolute return (before fees) and underperformed the benchmark over the December quarter. All of the Fund's three underlying managers made negative returns, but Schroders performed strongly to outperform the benchmark while Lazard and Investec underperformed.

Security selection was the primary drag on the Fund's relative performance. At the country level, the allocation impact was positive. An underweight allocation to China and South Korea were the major contributors to returns, with the Fund's cash position also enhancing returns as markets fell overall during the period. The Fund's underweight exposure to the strong-performing Brazilian and Indian markets and being overweight Mexico were the major detractors.

The overall impact of sector allocation was positive, primarily reflecting the contribution from being underweight to the consumer discretionary sector.

Security selection detracted overall from returns. At the security level, the largest single stock detractor was an underweight exposure to Brazilian bank Itau Unibanco (+28%), as many Brazilian companies benefitted from the post-election rally on the basis of investors favouring the new President's economic policies and promise to tackle corruption. Other significant detractors included the Fund's underweight holding in Indian property financier Housing Development Finance Corp (+20%) and overweight position in Chinese pharma CSPC Pharmaceutical Group (-30%).

The largest single contributor to performance was the Fund's underweight holding in Taiwanese electronics maker Hon Hai Precision Industry (-25%). Better known as Foxconn, shares in the Apple supplier came under pressure following Apple's downgrade for revenue forecasts and amid a broad sell-off in Asian technology companies after the arrest of the Huawei Technologies CFO, Meng Wanzhou, on sanctions-busting charges and the possible impact on US-China trade negotiations. Other significant contributors included the Fund's underweight holding in Chinese e-commerce giant Alibaba Group (-15%) and overweight holding in Brazil's largest bank Banco do Brasil (+69%).

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
CustomSuper	AMP0864AU*
Flexible Lifetime - Allocated Pension	AMP0880AU*
Flexible Lifetime - Term Pension	AMP0934AU*
AMP Flexible Super - Retirement account	AMP1351AU*
AMP Flexible Super - Super account	AMP1480AU*
SignatureSuper	AMP0952AU*
SignatureSuper - Allocated Pension	AMP1148AU*
AMP Flexible Lifetime Super	AMP0864AU*

*Closed to new investors

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