Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

31 March 2019

Aim and Strategy

To provide investors with high capital growth over the medium to long term (3 to 5 years) by seeking exposure to emerging stock markets worldwide or companies with significant activities in emerging markets. The benchmark is the MSCI Emerging Markets Index. In seeking to achieve the objective, the investment manager may invest in securities which are not contained in the index used as the performance benchmark. This investment option primarily invests in a diversified portfolio of emerging market securities. The normal characteristics of this investment option are:

- low turnover - the average holding period is around 4 years
- significant divergence from the benchmark
- low cash allocations, and
- a beta less than or equal to one.

On occasions (such as where the purchasing costs of the investment can be reduced), a portion of the investment may be directly invested in other investment vehicles managed by other Aberdeen Group companies. This investment option does not generally borrow to invest and is not hedged to the Australian dollar.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Global Shares
Suggested investment timeframe	3 - 5 years
Relative risk rating	7 / High
Investment style	Specialist

Asset Allocation	Benchmark	Actual (%)
Emerging Markets Equities	100.0	98.5
Cash	-	1.5

Regional Allocation	%
Asia	72.9
Africa and Middle East	3.7
Emerging Europe	4.1
Latin America	17.9
UK	--
Cash	1.5

Sector Allocation	%
Energy	4.1
Materials	7.1
Industrials	1.2
Consumer Discretionary	9.6
Consumer Staples	5.4
Health Care	0.6
Financials	41.9
Information Technology	11.0
Communication Services	12.2
Utilities	--
Real Estate	5.5
Cash	1.5

Top Holdings	%
Aberdeen Standard SICAV I - Indian Eq I	13.0
Aberdeen Standard SICAV I - China A E(	8.1
Tencent Holdings	6.3
TSMC	5.3
Samsung Electronics	5.1
Ping An Insurance	3.7
Banco Bradesco	3.4
AIA Group	2.7
Oil Co Lukoil PJSC	2.5
Vale	2.3

Investment Option Commentary

The fund outperformed the index.

Stock selection in China was the largest contributor to performance. Ping An Insurance had a good run throughout the quarter as market confidence in its growth and earnings outlook continued to grow. Huazhu Group, one of the largest domestic operators of mid to low-end hotels, rose on decent results and upbeat quarterly and annual forecast. Online car business Autohome shrugged off rumours that a dealership had terminated its partnership in January to end the quarter as one of the fund's top contributors. Also aiding performance was the underweight to Korea, which recorded another disappointing earnings season. On the other hand, despite being one of the best-performing markets in March, India was a laggard over the quarter, with holdings of the Aberdeen Standard Sicav I - Indian Equity Fund among the detractors.

In EMEA, stock selection in Russia was positive, with Lukoil faring well on the back of robust fourth-quarter results that beat expectations. This was pared by weakness in Turkish discount chain store operator BIM. Despite solid results, its shares performed poorly on concerns of political interference in its pricing. Stock selection in South Africa was negative, with retailers Massmart and Truworths continuing to lag amid ongoing tepid consumer sentiment.

Performance in Latin America was sub-par, largely due to holdings in Brazil. Shares in Vale were hit by the Brumadinho dam disaster in January. Ultrapar retreated on poor results and concerns on intensifying competitive pressure in fuel retailer Ipiranga, its core business; Aberdeen Standard Investments (ASI) exited the stock in March. This was partially mitigated by positive stock selection in Mexico.

Market Commentary

Following a difficult end to 2018, emerging markets equities started the year on a firm footing, shrugging off fears of a global slowdown. Sentiment was lifted by the US Federal Reserve's accommodative policy stance, signs of resolution to the US-China trade conflict and Beijing's fresh stimulus.

The good performance was led by Asia, particularly China, where easing policy to boost consumption and the private sector appeared to gain traction. Manufacturing data rebounded, with pick-ups in industrial production and export orders. On the trade front, negotiations with Washington seemed to progress well: President Trump agreed to delay further tariffs on Chinese goods, while Beijing pledged to increase American imports and passed a new foreign investment law that aims to level the playing field for foreign partners.

Brazilian stocks surged on optimism about President Jair Bolsonaro's aggressive pension reform, but lost steam subsequently. The administration's inability to form coalition in congress and several scandals involving the president's sons somewhat clouded the outlook. Fiscal concerns also weighed on Mexico and South Africa, where the government's rescue plans for indebted state-owned companies were viewed insufficient. More positively, Russia advanced on higher oil prices and a sovereign upgrade to investment-grade status, thanks to its resilience against external shocks.

Outlook

Emerging markets appeared to regain their poise after a bruising 2018, as several risks that plagued investors last year moderated. The temporary trade truce between Washington and Beijing, with a fresh willingness to resolve key issues, should provide some cause for optimism. The Federal Reserve's accommodative policy stance could improve monetary conditions in emerging markets, reviving economic expansion. Meanwhile, the political outlook in Brazil and Mexico may prove encouraging. In addition, China's shift from deleveraging to consumption-led stimulus should cushion global growth. Against this backdrop, corporate earnings should recover, albeit modestly. Following last year's sell-off, the asset class remains attractively-priced relative to both its historical average and developed peers.

That said, a sharper-than-expected global downturn could catch investors off guard, while the US-China tensions could flare up again. Political developments will occupy the spotlight ahead of elections in key markets, such as Indonesia, India and South Africa. Beyond the near-term volatility, ASI will continue to focus on quality companies with healthy fundamentals and experienced management. That should yield sustainable returns to investors in the longer term.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1531AU
AMP Flexible Super - Retirement account	AMP1591AU
AMP Flexible Super - Super account	AMP1579AU
CustomSuper	AMP1531AU
Flexible Lifetime - Allocated Pension	AMP1543AU
Flexible Lifetime Investment (Series 2)	AMP2031AU
SignatureSuper	AMP1555AU
SignatureSuper Allocated Pension	AMP1567AU
SignatureSuper Select	AMP1555AU

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267 (Mon. to Fri. 8:30am to 7:00pm AEST)

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