

Future Directions Asian Share

Quarterly Investment Option Update

31 March 2019

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

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Top Holdings	%
TSMC	6.81
Samsung Electronics Co Ltd	6.39
Alibaa Group Holding	5.64
Tencent Holdings Ltd	5.11
AIA Group Ltd	3.55
Ping An	3.11
CNOOC Ltd	2.72
Infosys Ltd	2.11
China Telecom Corp Ltd	2.10
CK Asset Holdings Ltd	1.94

Sector Allocation	%
Financials	24.68
Information technology	27.16
Consumer discretionary	8.61
Real estate	11.11
Energy	5.84
Consumer staples	3.66
Materials	1.85
Industrials	3.12
Utilities	3.45
Health care	2.12
Telecommunication services	6.89
Cash	1.51

Country Allocation	%
China	38.61
Hong Kong	16.13
Republic of Korea	11.35
Taiwan	12.14
India	9.04
Singapore	2.81
Thailand	3.00
Malaysia	0.87
Cash	1.51
Indonesia	2.74
United Kingdom	0.00
United States	1.27
Philippines	0.53
Other	0.00

Fund Performance

The Fund posted a positive absolute return (before fees) and outperformed its benchmark over the March quarter. Both underlying managers posted positive returns and outperformed the benchmark, with Investec performing stronger than Lazard.

Stock selection was the key driver of performance, making a positive contribution to relative returns. Sector allocation and country allocation generally contributed positively to relative returns, but were weighed down by an allocation to cash, which detracted from relative returns as markets rallied.

Regarding country allocation, overweight positions in Hong Kong and China, and underweight positions in South Korea, Malaysia and Singapore were the main positive contributors to relative returns, while an overweight position in the UK was the main detractor. Regarding sector allocation, an overweight position in real estate and underweight positions in materials and industrials were the main contributors to relative returns, while an overweight position in financials was the main detractor.

At the security level, the main positive contributor to relative returns was an overweight holding in Chinese financial services conglomerate Ping An Insurance. The company rallied (+25.7%) after launching a mobile app that allows drivers to make claims from a credit quota related to their driving history, as well as announcing an increased dividend and its first share-buyback plan. Conversely, the largest detractor from relative returns was an overweight holding in Chinese auto group Geely Automobile Holdings. The company underperformed the market (+7.4%) as auto sales in China fell for the ninth consecutive month in February, down 13.8% year-on-year.

Market Review

After heavy falls in the December quarter, global share markets posted extremely strong gains over the March quarter, with the MSCI World ex Australia index finishing up by 12.66%. While markets around the globe remain optimistic on the back of reasonably good global economic growth, a somewhat dovish US Federal Reserve (Fed), improving US trade relationships, strong resource prices and Chinese economic stimulus, this is being balanced by some caution creeping in around an inverting US yield curve, softening (but still reasonable) US growth and relatively high share valuations - particularly in the US.

Chinese shares were the clear standout over the period, as the CITIC300 index soared 27.63% on the back of positive trade talks with the US and stimulus measures introduced by the Chinese government. Other Asian markets, such as Taiwan, the Philippines and Thailand also advanced, although Thailand was held back by uncertainty surrounding its election outcome. The Indian market was pressured by geopolitical tensions with Pakistan, but staged a late rally on optimism that the current coalition government would return to power in upcoming elections. The South Korean market rose, but underperformed other Asian markets amid the abrupt end to the US-North Korea summit and concerns over corporate earnings. Malaysia was the main laggard.

(All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Ongoing and unresolved US-China trade negotiations continue to impart uncertainty to the markets, with recent short-term swings between a 'risk-on' and 'risk-off' bias. Therefore, until some semblance of longer-term stability supports global markets, shares will likely remain susceptible to volatility, especially following the rally from falls at the end of 2018. The US Federal Reserve has also changed tack, indicating from recent communications that further interest rate rises will not occur until 2020 and that it will halt the shrinking of its balance sheet by September 2019. European tensions remain high, particularly from Brexit uncertainty and the fast approaching exit date. Eurozone GDP remains anaemic, and with the German economy approaching technical recessionary territory, the European Commission has revised growth estimates down and implemented stimulatory measures, with more likely to come. Asian data remains mixed, with China continuing to be accommodative.

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

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)



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