

Future Directions Emerging Markets

Quarterly Investment Option Update

30 September 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, 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 for each product, please visit www.amp.com.au

Investment Option Overview

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

Asset Allocation	Benchmark (%)
International shares	100
Cash	0

Actual Allocation	%
International Shares	94.35
Listed Property and Infrastructure	1.85
Others	0.64
Cash	3.16

Sector Allocation	%
Financials	22.53
Information Technology	20.68
Consumer Discretionary	12.90
Materials	7.32
Consumer Staples	6.97
Communication Services	6.72
Energy	6.33
Industrials	5.44
Utilities	3.14
Cash	3.12
Real Estate	2.81
Health Care	1.86
Others	0.18

Top Holdings	%
TSMC	5.54
Samsung Electronics Co Ltd	5.20
Alibaba Group Holding Ltd	4.63
Tencent Holdings Ltd	2.85
PING AN	2.17
China Construction Bank Corp	1.52
LUKOIL PJSC	1.47
Infosys Ltd	1.42
Petroleo Brasileiro SA	1.27
Naspers Ltd	1.18

Region Allocation	%
Asia	65.73
Latin America	10.71
Europe	10.13
Middle East & Africa	5.91
Others	4.36
Cash	3.16

Fund Performance

The Fund posted a negative absolute return (before fees) while outperforming its benchmark in the September quarter. In a volatile market, one of the three underlying fund managers outperformed the benchmark. The Fund continues to outperform over the longer term, including over 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation contributed slightly to relative performance over the period. Having no exposure to Saudi Arabia contributed the most, while a marginal overweight exposure to Argentina was a major detractor.

Sector allocation was the main contributor to relative performance. An overweight position in information technology was the main driver, while an underweight position in consumer discretionary was the main detractor.

Security selection also added value on a relative basis. The main individual contributor was an overweight position in semiconductor manufacturer Taiwan Semiconductor Manufacturing (+24%), which confirmed that its earnings were upgraded as countries look to roll out 5G wireless networks, including China's national 5G roll out which is set to commence in October. Other contributors included overweight positions in Chinese pharma CSPC Pharmaceutical Group (+30%) and Brazilian higher education services provider YDUQS Participacoes (+17%).

The main individual detractor was an overweight position in India's largest state-run lender State Bank of India (-24%), which suffered on the back of concern around its asset quality in a period when the stability of a number of India's lenders was being questioned. Other detractors included Argentine bank Banco Macro (-63%) and South African miner Exxaro Resources (-27%).

Market Review

International shares climbed higher in the September quarter, with the MSCI World ex Australia index rising by 1.50% over the period. Markets started the quarter positively amid generally good US corporate earnings and hopes of a favourable US-China outcome. A pull-back then occurred in August and some volatility emerged as speculation rose in regard to the sustainability of global (and particularly US) growth. Mixed messages on monetary policy from the Fed also didn't help. Global markets then recovered to higher levels in September amid continued volatility. Drivers included central bank interest rate reductions and commentary (as the US Federal Reserve reduced the Federal Funds Rate range by a further 25 basis points to 1.75-2.0%), the drone strike in Saudi Arabia, as well as some small but positive US-China trade developments. Emerging markets however struggled during the quarter and underperformed their developed-market counterparts, with the MSCI Emerging Markets accumulation index finishing down by 2.07%. Geopolitical volatility, trade war fears and sovereign debt issues were all contributing factors. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Global share markets remain at risk of further weakness in the months ahead on the back of the ongoing US-China trade dispute, Middle East tensions, and mixed economic data as we are in a seasonally weak part of the year for shares.

However, valuations are reasonable, particularly when compared against low bond yields. Global growth indicators are expected to improve by next year and monetary and fiscal policy are becoming more supportive, all of which should support decent gains for share markets on a 6-12 month horizon.

During the current turbulent period, quality companies with solid defensive properties may present the best opportunities for risk-adjusted returns.

Availability

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

*Closed to new investors

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