

Future Directions Emerging Markets

Quarterly Investment Option Update

31 March 2020

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	95.51
Listed Property and Infrastructure	1.74
Others	0.28
Cash	2.47

Sector Allocation	%
Information Technology	26.38
Financials	18.34
Consumer Discretionary	13.90
Consumer Staples	8.59
Communication Services	6.52
Materials	6.24
Industrials	5.14
Energy	4.25
Health Care	3.25
Real Estate	2.51
Cash	2.47
Utilities	2.18
Others	0.22

Top Holdings	%
Alibaba Group Holding Ltd	7.27
Tencent Holdings Ltd	6.46
TSMC	6.19
Samsung Electronics Co Ltd	5.84
PING AN	2.71
China Construction Bank Corp	1.91
LUKOIL PJSC	1.18
AIA Group Ltd	1.13
MMC Norilsk Nickel PJSC	1.04
Haier Smart Home Co Ltd	0.92

Region Allocation	%
Asia	72.71
Europe	8.40
Latin America	7.31
Others	5.03
Middle East & Africa	4.07
Cash	2.47

Fund Performance

The Fund posted a negative return (before fees) and underperformed its benchmark in the March quarter. Of the Fund's three underlying fund managers, while all managers posted negative returns, Lazard outperformed the benchmark, whereas Schroders and Investec lagged the benchmark. The Fund continues to outperform over the longer term, including 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Stock selection hampered relative returns overall during the period. Conversely, country allocation contributed to the Fund's relative performance, driven primarily by underweight positions in Brazil and India which outweighed the negative impact of an underweight position in China which was the main detractor.

Sector allocation contributed to relative returns overall, with underweight positions in financials and energy and an overweight position in information technology the main contributors. This more than outweighed the negative impact of being underweight communication services, which was the main detractor.

From a security selection perspective, the main individual detractor was an overweight position in Brazilian energy company Petroleo Brasileiro (-60%), which fell heavily alongside other energy companies during the period after a breakdown in OPEC supply limits and a collapse in demand amid the COVID-19 pandemic battered oil markets.

Other detractors included an overweight exposure to Central and Eastern Europe financial services provider Erste Group Bank (-43%) and an underweight position in Chinese online services provider Tencent Holdings (+17%).

The main individual contributor was an overweight position in Chinese infant milk formula producer China Feihe (+75%), which saw its share price continue to receive market support following its IPO during late 2019. Other contributors included an underweight exposure to Brazilian bank Banco Bradesco (-50%) and an overweight holding in semiconductor manufacturer Taiwan Semiconductor Manufacturing Company (-5%).

Market Review

The March quarter was one of the worst periods ever for global share markets as the COVID-19 pandemic rapidly escalated fears around the globe. The MSCI World ex Australia index finished the period down by 20.0%, having briefly reached lows not seen since 2016 before finishing the period with a late rally. Across regions and sectors, few stocks were spared from the falls, with some panic-selling evident, particularly later in the quarter as fundamentals undoubtedly took a backseat to momentum trading. In the final week of March, the market was able to recoup some of these losses as panic selling subsided. Price movements in many stocks were further exacerbated by the triggering of stop-losses, as well as some evidence of forced selling from funds in order to meet redemption requests. A positive for shares later in the period was global stimulus levels promptly reaching unprecedented levels, as a swift, synchronised policy response was seen around the globe in the forms of monetary easing and enormous amounts of targeted fiscal stimulus. In many cases, packages included direct payments to residents and businesses. Emerging markets couldn't escape the sell-off during the period and performed only marginally better than their developed market peers. The worst-performing emerging markets included those most exposed to commodities, with Brazil (and Latin America more broadly), South Africa, Russia and Mexico falling significantly. Asian markets fared relatively better, in particular China, as well as Taiwan and Korea. (Indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Global shares now appear to be significantly cheaper after the recent pullback related to the COVID-19 virus and relative to low bond yields, though given the lack of earnings visibility over the near-term, some caution is still warranted. While global economic activity is being sharply impacted due to the virus, we expect this to be transient in nature and likely to rebound at some point. Monetary and fiscal policy are also now heavily supportive, which is likely to continue to aid share markets.

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

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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