Future Directions Asian Share

Quarterly Investment Option Update

30 June 2021

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 for each product, please visit www.amp.com.au/performance

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	94.98
Australian Shares	1.73
Listed Property and Infrastructure	0.61
Cash	2.68

Sector Allocation	%
Information Technology	29.13
Financials	18.99
Consumer Discretionary	15.36
Communication Services	9.29
Materials	6.96
Industrials	5.62
Health Care	4.24
Cash	2.68
Utilities	2.31
Consumer Staples	2.23
Energy	2.01
Real Estate	1.18

Top Holdings	%
TSMC	7.72
Samsung Electronics Co Ltd	6.52
Tencent Holdings Ltd	6.49
Alibaba Group Holding Ltd	4.50
AIA Group Ltd	2.49
Hana Financial Group Inc	1.94
HKEX	1.71
Infosys Ltd	1.70
Delta Electronics Inc	1.64
DBS GROUP HOLDINGS LTD	1.53

Region Allocation	%
Asia ex Japan	95.59
Cash	2.68
Australasia	1.73

Fund Performance

The Fund posted a strong positive return (before fees) and outperformed its benchmark during the June quarter. Both underlying managers gained ground during the period, with Lazard significantly outperforming the benchmark, whereas Ninety One lagged. The Fund continues to outperform over the long term, including over 5 years (annualised). (All returns are before fees.)

Stock selection was the main driver of the Fund's relative returns, while country allocation (excluding cash) detracted slightly from relative performance.

At the country level, the underweight exposures to Thailand, Indonesia and China were the main contributors, while an overweight position in Australia was the main detractor.

Sector allocation added value. The underweight exposure to real estate was the standout contributor, outweighing the negative effects of the underweight to health care and the overweight position in financials.

At the security level, a significant contributor to relative returns was an overweight position in Chinese electricity provider China Longyuan Power Group Corp (+30%), saw its share price soar after the Chinese government's announcement that it will embark on a push to establish rooftop solar panels, which is expected to benefit the solar generation part of the company's business. Other contributors included overweight positions in Taiwanese shipping company Wan Hai Lines (+135%) and Indian aerospace and defence electronics company Bharat Electronics (+21%).

The main detractor from relative returns was an overweight position in Chinese music streaming service company Tencent Music Entertainment Group (-23%), which suffered on speculation that the company may receive a regulatory fine or be broken up as a result of the broader China anti-trust investigations targeting internet stocks. Other detractors included having no exposure to South Korean internet company Kakao Corp (+67%) and an underweight holding in Chinese electric vehicle manufacturer NIO (+38%).

Market Review

International shares continued to rise strongly in the June quarter, with the MSCI World ex Australia index finishing up by 7.56%, as markets were buoyed by the ongoing global economic recovery, vaccine rollouts and massive fiscal stimulus programmes in place. A further US$1.2 trillion of stimulus was announced later in the quarter, through yet another infrastructure spending deal. For most of the quarter the US Federal Reserve (Fed) remained dovish, though towards the end of the period the central bank's tone began to turn regarding future rate-hikes. COVID-19 case numbers were again widely discussed, though with an increasingly significant amount of people immunised, particularly those in higher-risk categories, daily fatality rates are now well below previous highs in many countries and have continued to fall. Rising inflation and continuing supply constraints in many industries also remained a concern. The dominant influence on markets however continued to be ongoing global recovery and reopening, with many countries now removing the bulk of their COVID-related restrictions, borders being reopened and flight and road traffic now approaching pre-COVID levels in some regions. Emerging markets also rose, though to a lesser degree than developed markets. Within Asia, most markets posted gains, with Taiwan, South Korea and India outperforming, whilst China and Hong Kong among the underperformers. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

The economic backdrop has recently become more complicated. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, more hawkish than expected US Federal Reserve communications, and stretched valuations in many areas, have all resulted in a more heterogeneous market interpretation of future events and an increasingly fluid risk on/ risk off bias. Thus, the medium-term outlook for international shares remains difficult to predict. The environment is further complicated by some supply-demand mismatches where it is difficult to ascertain with any degree of certainty what will be shorter-term and what will prove to be more secular in nature.

With changing consumer dynamics, many companies will likely face challenging conditions for some time yet, while stronger businesses are likely to emerge post the COVID-19 vaccine implementation with gained market share. Despite some inflationary concerns, governments generally continue to implement supportive monetary and fiscal programmes to ease shorter-term economic stress. The hope is that post vaccine rollout, economies will be resilient enough to return to sustainable growth relatively quickly. Although the shorter-term environment remains uncertain, we believe the longer-term trend will remain to the upside. Investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do well over the longer-term.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1344AU*
AMP Flexible Super - Super	AMP1473AU*
CustomSuper	AMP1197AU*
Flexible Lifetime - Allocated Pension	AMP1201AU*
Flexible Lifetime - Investments (Series 1)	AMP1205AU**
Flexible Lifetime - Investments (Series 2)	AMP1408AU**
Flexible Lifetime - Super	AMP1197AU*
SignatureSuper	AMP1211AU*
SignatureSuper - Allocated Pension	AMP1220AU*

*Closed to new investors

**Closed to new and existing investors

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