

# Future Directions Emerging Markets

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, 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/performance](http://www.amp.com.au/performance)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
International shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	97.06
Listed Property and Infrastructure	0.61
Cash	2.33

<b>Sector Allocation</b>	<b>%</b>
Information Technology	24.78
Financials	16.24
Consumer Discretionary	15.01
Materials	10.75
Communication Services	10.26
Industrials	6.03
Health Care	4.06
Consumer Staples	3.77
Energy	3.67
Utilities	2.36
Cash	2.33
Real Estate	0.75
Futures	0.00

<b>Top Holdings</b>	<b>%</b>
TSMC	6.55
Tencent Holdings Ltd	5.84
Samsung Electronics Co Ltd	5.40
Alibaba Group Holding Ltd	3.80
Vale SA	1.81
Infosys Ltd	1.64
PING AN	1.47
China Construction Bank Corp	1.20
MediaTek Inc	1.17
Hana Financial Group Inc	1.16

<b>Region Allocation</b>	<b>%</b>
Emerging Asia	77.69
Emerging Europe	5.83
Latin America	5.77
Middle East & Africa	4.08
Cash	2.33
Developed Asia x Aus x Jpn	2.31
Europe ex UK	1.31
United Kingdom	0.60
North America	0.07

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## Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the June quarter. All three of the Fund's underlying managers posted strong positive returns and outperformed the benchmark. The Fund continues to post strong positive returns over the longer term and has outperformed its benchmark over 1, 2, 3 and 5 years, and since inception. (All returns are before fees.)

Country allocation detracted from relative returns over the period. The main detractors were underweight exposures to Brazil and Saudi Arabia, and an overweight exposure to Hong Kong, while the main positive contributors were underweight exposures to China and Thailand, and an overweight exposure to Cyprus.

Sector allocation contributed modestly to relative returns. The main contributors were underweight exposures to real estate and consumer discretionary, and an overweight exposure to industrials. A cash holding was the main detractor, as markets generally rallied, and underweight exposures to energy and health care also detracted.

Stock selection was the driver of the Fund's outperformance, mainly due to positions in industrials, consumer discretionary and utilities stocks, while positions in materials, financials and communication services stocks detracted from relative returns.

The main individual contributor was an overweight position in Taiwanese shipping company Wan Hai Lines, which rocketed higher (+134.9%) after announcing an aggressive expansion plan. The company has consistently reported huge revenue gains as it takes advantage of soaring rates for international services as global trade improves and economies reopen. Other contributors included an overweight position in Chinese sportswear company Li Ning which soared (+91.3%) and an underweight position in Chinese e-commerce giant Alibaba, which declined (-7.8%) over the period.

The main individual detractor was an overweight position in Chinese financial services provider Ping An Insurance, which declined (-15.1%) despite reporting rising operating profit across its businesses, as the pace of recovery in its highly profitable life insurance business was slow. Other detractors included an underweight position in Chinese pharmaceutical company Wuxi Biologics, which soared (+48.5%) and an overweight position in South African platinum producer Anglo American Platinum, which retreated (-19.6%) over the period.

## Market Review

International shares continued to rise significantly over the June quarter, buoyed by the ongoing global economic recovery, vaccine rollouts and massive fiscal stimulus programmes in place. In the US, a further US\$1.2 trillion of stimulus was announced, through yet another infrastructure spending deal. For most of the period the US Federal Reserve remained dovish, although 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, although 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. 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, although to a lesser degree than developed markets. Rising commodity prices and improved sentiment towards some currencies supported emerging market shares, although falls in some Chinese stocks restrained gains.

Brazil was the strongest performing emerging market as the central bank tightened monetary policy to rein in inflationary pressures and currency strength amplified gains. However, Chile and Peru were among the weakest markets due to political uncertainty. European emerging markets performed well, particularly Poland, Hungary and the Czech Republic as the economic outlook continued to improve. The Russian and Saudi Arabian markets benefited the most from rising commodity prices, although the South African market waned as it buckled under the weight of a third wave of COVID-19 and weaker gold prices towards the end of the period. The Chinese market lagged as some of the best performing stocks of 2020, such as Alibaba and Tencent, continued to retreat due to greater regulatory scrutiny. The Taiwanese and Indian markets rallied as concerns about COVID-19 eased.

## 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

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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 short-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, developed market governments generally continue to implement supportive monetary and fiscal programmes to ease short-term economic stress. The hope is that post vaccine rollout, economies will be resilient enough to return to sustainable growth relatively quickly. This should continue to underpin commodity prices which so many emerging markets depend upon. Although the short-term environment remains uncertain, we believe the long-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 long-term.

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## Availability

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

\*Closed to new investors

\*\*Closed to new and existing investors

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