

Aberdeen Standard Emerging Opportunities

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide investors with high capital growth over the medium to long term (3 to 5 years) by seeking exposure to emerging stock markets worldwide or companies with significant activities in emerging markets. The benchmark is the MSCI Emerging Markets Index. In seeking to achieve the objective, the investment manager may invest in securities which are not contained in the index used as the performance benchmark. This investment option primarily invests in a diversified portfolio of emerging market securities. The normal characteristics of this investment option are:

- low turnover - the average holding period is around 4 years
- significant divergence from the benchmark
- low cash allocations, and
- a beta less than or equal to one.

On occasions (such as where the purchasing costs of the investment can be reduced), a portion of the investment may be directly invested in other investment vehicles managed by other Aberdeen Group companies. This investment option does not generally borrow to invest and is not hedged to the Australian dollar.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Category	Global Shares
Suggested Investment timeframe	3 - 5 years
Relative risk rating	7 / Very High
Investment style	Specialist
Manager style	Single Manager

Investment Option Overview

Asset Allocation	Benchmark (%)	Actual (%)
Emerging Markets Equities	100.0	98.9
Cash	-	1.1
Sector Allocation		%
Energy		3.2
Materials		10.4
Industrials		5.1
Consumer Discretionary		17.5
Consumer Staples		4.7
Health Care		3.2
Financials		17.6
Information Technology		27.9
Communication Services		6.7
Utilities		1.1
Real Estate		1.3
Cash		1.1
Regional Allocation		%
Asia		75.5
Africa and Middle East		4.8
Emerging Europe		7.3
Latin America		11.3
Cash		1.1
Top Holdings		%
Taiwan Semiconductor Manufacturing		9.09
Samsung Electronics		8.72
Tencent Holdings		5.47
ALIBABA Group Holdings		5.10
Vale		2.82
Longi Green Energy Technology		2.59
Housing Development Finance		2.49
TATA Consultancy		2.34
Naspers		2.30
WUXI Biologics		2.27

Investment Option Commentary

Stock selection in China continued to be a major driver of returns, with names tied to the clean energy theme among the top contributors. Solar energy exposures, **Longi Green Energy** and **Sungrow Power Supply**, outperformed due to their attractive long-term outlooks tied to the country's carbon-neutral targets. Meanwhile, optimism over demand for electric vehicles (EVs) benefited the recently initiated holding in leading EV battery separator manufacturer, **Yunnan Energy New Material**. That said, not holding EV automakers, particularly **Nio**, weighed on returns.

Elsewhere in the mainland, with the unwinding of crisis-era stimulus, avoiding large state-owned banks was another tailwind. However, property developer **China Resources Land** succumbed to financing curbs. **New Oriental Education and Technology** also had a difficult quarter, hurt by ongoing regulatory scrutiny. Nonetheless, Aberdeen Standard believe it is better positioned to deal with tougher regulation than its peers. **Sands China** also lagged, as tourist traffic ramp-up remained lackluster amid ongoing Covid-19 related restrictions. But Aberdeen Standard believe the company is well-positioned for recovery when the economy re-opens.

In the materials sector, surging iron ore prices made **Vale** one of the top contributors. Conversely, South African miner **Anglo American Platinum** detracted as platinum prices weakened.

Meanwhile, the resurgence of Covid-19 saw improved performance from the e-commerce holdings, **Sea Ltd** and **Allegro**. However, **Naspers** was weak as Chinese regulation continued to weigh on its investment in Tencent. On a positive note, Aberdeen Standard believe **Tencent** is in a better position than its peers to adapt, thanks to the strength of its eco-system, cash position and good governance. Aberdeen Standard also view the overhang caused by **Naspers'** share swap with Prosus as temporary.

Stock selection in India was a major detractor. The market proved resilient in the face of a severe second wave of Covid-19. In contrast to the first wave, the government used light-touch social restrictions, which favoured more cyclical stocks and disadvantaged the high-quality bank and defensive consumer holdings, **HDFC**, **Kotak Mahindra** and **ITC**. Despite lagging in this very particular market, they all remain high-conviction positions.

Market Commentary

Emerging markets equities rose in the second quarter, posting a fifth straight quarterly gain. Optimism over the re-opening of the global economy and US lawmakers' agreement on President Joe Biden's infrastructure plan offset concerns over the resurgence of Covid-19 outbreaks in some major markets. However, emerging markets lagged developed markets as hawkish signals from the US Federal Reserve dented risk appetite.

Across markets, stocks in Brazil and Russia were among the best performers on elevated energy and commodity prices. India advanced as well on hopes that pandemic-related restrictions may ease as a deadly resurgence of coronavirus infections began to retreat. Elsewhere, share prices in Taiwan, and to a certain extent in South Korea, were supported by robust semiconductor demand. In contrast, returns in China were more modest, due to a lower growth outlook, regulatory headwinds and tighter credit controls.

On the policy front, central banks in Brazil and Russia continued to hike their benchmark interest rates to combat rising inflation. Mexico also shifted to a tighter policy stance with a surprise rate increase.

Outlook

Aberdeen Standard are cautiously optimistic about emerging market stocks in the short term and are even more positive over the longer term. Despite coronavirus-related disruptions and China's tighter regulatory control, Aberdeen Standard believe the economic recovery across various markets is supported by accelerating vaccination rates that allow an easing of mobility restrictions. This should mitigate inflationary pressures tied to rising commodity prices and near-term supply chain disruptions.

Moreover, there is a robust pick-up in corporate earnings growth, led by the technology hardware sector. In this light, Aberdeen Standard remain focused on companies with pricing power and the ability to pass through cost pressures.

While the rotation from growth stocks into more cyclical and value-oriented ones has slowed somewhat, Aberdeen Standard expect emerging markets investors to continue to focus on value and inflation-beneficiaries in the near term. The asset class remains attractive due to the diversity of high-quality companies and structural growth drivers, including healthy demographics and a growing middle class.

Availability

Product name	APIR
AMP Flexible Lifetime Super*	AMP1531AU
AMP Flexible Super - Retirement account*	AMP1591AU
AMP Flexible Super - Super account*	AMP1579AU
CustomSuper*	AMP1531AU
Flexible Lifetime - Allocated Pension*	AMP1543AU
Flexible Lifetime Investment (Series 2)**	AMP2031AU
SignatureSuper*	AMP1555AU
SignatureSuper Allocated Pension*	AMP1567AU
SignatureSuper Select*	AMP1555AU

*Closed to new investors

**Closed to new and existing investors

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