# Future Directions Asian Share

## Quarterly Investment Option Update

30 September 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 | 94.86 |
| Australian Shares | 1.84 |
| Listed Property and Infrastructure | 0.67 |
| Cash | 2.63 |

| Sector Allocation | % |
|---|---|
| Information Technology | 29.11 |
| Financials | 18.47 |
| Consumer Discretionary | 13.47 |
| Communication Services | 7.24 |
| Materials | 6.84 |
| Health Care | 5.98 |
| Industrials | 5.46 |
| Consumer Staples | 3.60 |
| Energy | 3.45 |
| Utilities | 2.71 |
| Cash | 2.63 |
| Real Estate | 1.05 |

| Top Holdings | % |
|---|---|
| TSMC | 8.51 |
| Samsung Electronics Co Ltd | 5.87 |
| Tencent Holdings Ltd | 4.27 |
| Alibaba Group Holding Ltd | 4.00 |
| AIA Group Ltd | 2.50 |
| Infosys Ltd | 1.99 |
| HDFC Bank Ltd | 1.68 |
| MediaTek Inc | 1.63 |
| Kia Corp | 1.55 |
| HKEX | 1.45 |

| Region Allocation | % |
|---|---|
| Asia ex Japan | 94.67 |
| Cash | 2.63 |
| Australasia | 1.84 |
| United Kingdom | 0.87 |

## Fund Performance

In difficult market conditions, the Fund posted a negative return but outperformed its benchmark over the September quarter. Both underlying managers lost ground but outperformed the benchmark. The Fund continues to post strong positive returns and has outperformed the benchmark over the long term, including over 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation contributed positively to relative returns. The main positive contributors were an underweight exposure to China and an overweight exposure to Taiwan, while the main detractors were an underweight exposure to Indonesia and an overweight exposure to South Korea.

Sector allocation was the key driver of the Fund's outperformance, with the main positive contributions from underweight exposures to consumer discretionary, communication services and real estate, and overweight exposures to materials and information technology.

Stock selection detracted modestly from relative returns. The main detractors were positions in materials and financials stocks, while the main positive contributors were positions in utilities and information technology stocks.

The main individual detractor from relative returns was an overweight position in Chinese music streaming service company Tencent Music Entertainment Group which slumped (-45.6%) after its net profits declined, partly due to higher operating expenses. It also came under pressure as Chinese authorities cracked down on technology companies, ordering the company to end its exclusive music-licensing deals, which could slow its subscriber growth. Other detractors included an underweight position in Indian multinational conglomerate Reliance Industries which climbed (+24.2%), and an overweight position in Indian pharmaceutical company Aurobindo Pharma which dropped (-21.7%) over the period.

The main individual contributor to relative returns was an overweight position in Chinese wind power company China Longyuan Power Group which soared (+49.1%) as investors shifted away from technology companies, into companies likely to receive government support. It subsequently benefited after the Chinese President said in an address to the United Nations that China would cease building new coal-fired power projects overseas as part of its efforts to cut carbon emissions. Other contributors included an overweight position in Indian financial services provider HDFC Bank, which climbed (+10.8%) and an underweight position in Chinese internet behemoth Alibaba Group, which continued to fall (-33.0%) over the period.

## Market Review

Global shares posted another quarter of gains. Through July and August, markets were buoyant, driven by global reopening and the ongoing recovery. Economic and corporate fundamentals remained solid, particularly in the US, where companies' earnings generally surprised on the upside through reporting season and strong US employment data was released. Central banks, including the US Federal Reserve and European Central Bank were also generally quite dovish, suggesting they?won't?be rushing to remove stimulus given the current climate.

However, in September a marked turn in sentiment was evident, emanating from a combination of factors including inflation concerns,?volatile commodity prices reflecting slowing Chinese demand for steel, and global supply issues creating turbulence for energy resource prices. Adding further to the bearish turn in sentiment were solvency concerns surrounding a?major Chinese property developer,?China Evergrande Group,?and?the?perceived?threat of an international spill-over.?In addition,?the continued trend towards?hawkish statements from some central banks?and short-term fears of a US government shutdown due to?the approaching debt ceiling?also?weighed on markets.?Upcoming tax-hikes in the US added further to the list of worries.?Despite all this,?the global economy remains?generally on track in its recovery. Corporate earnings are growing, social restrictions?are being removed rapidly as populations are becoming vaccinated, and?countries are reopening.

Meanwhile, emerging markets fell, underperforming developed markets. Within Asia, the Chinese market fell as investors remained concerned about the government's increased scrutiny of private-sector companies and became concerned about the solvency of China Evergrande Group. Most other Asian markets rose only modestly due to the resulting uncertainty, although India advanced strongly due to its supportive monetary policy and expectations of a substantial rebound in growth as the economy reopens. Indonesia also rose strongly.

## Outlook

The economic backdrop remains complicated. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, the US Federal Reserve's timeline for tapering and stretched valuations in some areas, continue to muddy the interpretation of future events, with a fluid 'risk on'/'risk off' bias. Thus, the medium-term outlook for global 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 short-term and what will prove to be more secular in nature. Likely tax hikes in the US will also impact US companies' earnings.

With changing consumer dynamics, many companies are expected to face challenging conditions for some time yet, while stronger businesses are likely to emerge post the vaccine implementation with gained market share. Despite some inflationary concerns, governments generally continue to implement supportive monetary and fiscal programmes to ease short-term economic stress. The hope is that economies will be resilient enough to return to sustainable growth relatively quickly. 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.

## 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* |
| SignatureSuper Select | AMP0793AU |

*Closed to new investors

**Closed to new and existing investors

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