Future Directions Asian Share

Quarterly Investment Option Update

31 December 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 (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	94.80
Australian Shares	2.23
Listed Property and Infrastructure	1.01
Cash	1.97

Sector Allocation	%
Information Technology	31.06
Financials	17.44
Consumer Discretionary	12.39
Communication Services	9.02
Materials	7.24
Industrials	4.85
Consumer Staples	4.35
Health Care	4.10
Energy	3.26
Utilities	2.59
Cash	1.97
Real Estate	1.74

Top Holdings	%
TSMC	9.16
Samsung Electronics Co Ltd	5.87
Tencent Holdings Ltd	4.88
Alibaba Group Holding Ltd	2.93
MediaTek Inc	2.36
Infosys Ltd	2.19
Kia Corp	1.58
DBS GROUP HOLDINGS LTD	1.55
SK Hynix Inc	1.55
HKEX	1.38

Region Allocation	%
Asia ex Japan	94.81
Australasia	2.23
Cash	1.97
United Kingdom	1.00

Fund Performance

In somewhat challenging market conditions, the Fund posted a negative return but outperformed its benchmark over the December quarter. Both underlying managers comfortably outperformed the benchmark, with Lazard also gaining ground. 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 had a broadly neutral impact on relative returns. The main positive contributors were an underweight exposure to China and overweight exposures to Australia and Taiwan, while the main detractors were underweight exposures to Indonesia and Thailand.

Sector allocation contributed to the Fund's relative returns, with the main positive contributions coming from an overweight exposure to information technology and an underweight exposure to consumer discretionary, whereas the main detractors were overweight exposures to materials and health care.

Stock selection was the key driver of the Fund's outperformance. The main positive contributors were positions in information technology, materials and consumer staples stocks, which far outweighed the main detractors from positions in industrials and utilities stocks.

The main individual contributor to relative returns was an overweight position in Taiwanese chip manufacturer MediaTek (+32%), which was buoyed by investor expectations for the prospects for the company's new 5G chipset Dimensity 9000, as demand for semiconductors continues to surge across networking, data centres and vehicles. Other contributors included overweight positions in South Korean video streaming service provider AfreecaTV Co, which soared (+34%) and South Korean memory chip maker SK hynix, which rose (+27%) over the period.

The main individual detractor from relative returns was an overweight position in Chinese healthcare consultancy company Hangzhou Tigermed Consulting (-41%), which fell despite announcing better than expected results for the September quarter as investors continued to be concerned about tightening clinical trial practices as well as diminishing benefits from COVID-related projects. Other detractors included an underweight exposure to Chinese online gaming company NetEase, which climbed (+29%) and an overweight position in solar glass producer Xinyi Solar Holdings which dropped (-18%) over the period.

Market Review

Developed global share markets continued to steam ahead over the December quarter. As is often the case with equity markets, strong gains came despite significant prevailing fears and concerns, which over this period centred around inflation and the monetary path ahead for central banks, and, to a lesser degree, the Omicron COVID-19 variant. US inflation was shown to be at 6.8% over the year to November, a multi-decade high, with many other nations recording similar spikes. Ironically however, a growing degree of acceptance of the prevailing inflationary environment may have started to remove some uncertainty, as investors increasingly look to allocate cash to companies with pricing power and thus potentially provide some shelter from the increasing cost of living. Reports of the new Omicron variant mid-quarter gave markets an initial scare, though positive momentum was quickly recovered amid signs symptoms were generally milder in nature, despite the variant being considerably more infectious, and a growing realisation that further new variants will almost certainly be an ongoing endemic feature, rather than something to be surprised by.

Emerging markets meanwhile were more heavily hit by the inflation-related fears, combined with concern around falling Chinese economic growth and the resultant impact on commodity demand. This saw the Chinese share market perform poorly and lag other markets in the region, with regulatory concerns also continuing to impact. In contrast, Taiwan's share market bucked the trend thanks to the positive results from the market's technology stocks which continue to benefit from ongoing demand for semi-conductors, however the region lost ground overall during the period.

Outlook

Uncertainty over the persistence of inflationary pressures remains a prime focus going forward, particularly when taken into account with record debt-levels across the globe presenting obvious difficulties as central banks begin to raise interest rates. Meanwhile, corporate earnings remain generally strong and growing, as companies continue to recover from the COVID downturn. Thus, the medium-term outlook for international equities is still difficult to predict. Supply-demand mismatches also remain. Likely tax hikes from the Biden administration are a further issue on the horizon which will impact earnings, although currently proposed increases are less than initially feared, so the hit to earnings may be smaller than initially thought. Business with power to raise prices should do relatively well in an inflationary environment.

While more governments may raise rates over the next year or so, this is likely to be done slowly, and may even remove some market uncertainty. While the shorter-term environment remains uncertain, we continue to believe the longer-term trend will remain to the upside, and that 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
Flexible Lifetime - Investments (Series 1)	AMP1205AU*
Flexible Lifetime - Investments (Series 2)	AMP1408AU*
SignatureSuper	AMP1211AU**
SignatureSuper - Allocated Pension	AMP1220AU**

*Closed to all investors
**Closed to new investors

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