

# Future Directions Emerging Markets

Quarterly Investment Option Update

31 March 2022

## 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>
Global shares	100
Cash	0
<b>Actual Allocation</b>	<b>%</b>
International Shares	96.09
Listed Property and Infrastructure	0.34
Cash	3.57

<b>Sector Allocation</b>	<b>%</b>
Information Technology	23.42
Financials	19.85
Materials	11.72
Consumer Discretionary	8.75
Communication Services	8.73
Industrials	6.42
Consumer Staples	5.55
Energy	4.78
Cash	3.57
Utilities	3.03
Health Care	2.93
Real Estate	1.21
Futures	0.04

<b>Top Holdings</b>	<b>%</b>
TSMC	7.22
Samsung Electronics Co Ltd	4.91
Tencent Holdings Ltd	3.94
Alibaba Group Holding Ltd	2.64
Infosys Ltd	2.02
RELIANCE INDUSTRIES LTD	1.87
Vale SA	1.54
Wal-Mart de Mexico SAB de CV	1.24
MediaTek Inc	1.22
SINOPEC CORP	1.15

<b>Region Allocation</b>	<b>%</b>
Emerging Asia	74.85
Latin America	7.77
Middle East & Africa	7.21
Cash	3.57
Developed Asia x Aus x Jpn	2.29
Emerging Europe	1.70
United Kingdom	1.27
Europe ex UK	0.97
North America	0.36
Others	0.02

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## Fund Performance

The Fund posted a negative return over the March quarter, though outperformed the benchmark (before fees). Two out of the three underlying managers outperformed the index, though all struggled as markets fell on the outbreak of war in Ukraine, as well as continued fears around inflation and blocked supply chains. The Fund continues to show solid 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.)

Stock selection was positive for the period as was asset allocation. Stock selection was particularly strong within the materials and energy sectors, though weak in the financial and utilities sectors. An overweight to the materials sector was a significant contributor to the outperformance, as the sector rose on the back of surging commodity prices. The Fund only had a small (<3%) exposure Russian companies, though these unsurprisingly fell heavily mid-quarter as the war broke out.

An overweight holding in global diversified mining company, Anglo American, was a significant contributor. The company's shares rose steadily through the quarter (+28%), as markets priced in surging commodity prices. In March, the company also reported its net profit had quadrupled in FY21 and announced a special dividend. Another positive contribution came from an overweight holding in Grupo Mexico S.A.B. de C.V. The company mines a variety of materials, including copper, silver, gold, molybdenum, lead, and zinc. Grupo Mexico's shares (+34%) were also beneficiaries over the quarter from globally rising resource prices. Another significant contributor was an overweight holding in Mexico's biggest retailer, Wal-Mart de Mexico, as the shares rose (+7%) on the back of rising profits.

Significant detractors were predominantly from small Russian holdings, as share prices plunged on Russia's invasion of the Ukraine, which led to swift and heavy sanctions from other countries. These holdings included precious metals mining company Polymetal International, oil producer LUKOIL and financial markets operator Public Joint Stock Company Moscow Exchange, which were all caught up in the fallout from the global sanctions which have effectively closed Russia off to most global financial markets.

## Market Review

Global share markets fell by 4.75% in the March quarter, as measured by the MSCI World ex Australia index. Major drivers were increased inflation levels around the globe and the growing belief that central banks, particularly in developed economies, may have fallen considerably behind the ball in normalising interest rates, thus further exacerbating inflation. Russia's unprovoked invasion of Ukraine in late February added to share price falls. Beyond the horrible human cost, the war has further inflamed already-significant global supply chain issues and commodity price volatility, particularly oil and gas. Unsurprisingly, European shares were weak over the quarter, particular in countries that are more reliant on Russian energy exports, such as Germany. Countering this pessimistic backdrop however, much of the global economy continues to grow, corporate earnings are generally solid - particularly in the US - and COVID-19 restrictions, in many countries, have become a thing of the past (with the notable exception of China). Emerging markets also fell over the period, with the MSCI Emerging Markets index closing the quarter down by 6.1%. Emerging markets were impacted by similar fears as developed markets. Chinese stocks particularly struggled over the period, as the nation's COVID-zero policies resulted in further mass-scale lockdowns which, along with ongoing regulatory concerns, contributed to heavy falls. Emerging markets were further impacted by a strengthening of the US dollar, as well as spikes in energy and food prices in Europe. Egypt, Poland and Hungary were all notable underperformers, all hit by supply chain dynamics. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

## Outlook

Prevailing high inflation rates remain a prime market concern, particularly when taken into account with record debt -levels across the globe presenting difficulties as central banks begin to raise interest rates. Meanwhile, corporate

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earnings remain reasonably strong and growing, as companies continue to move ahead from the 2020 COVID downturn. Russia's war on Ukraine is also likely to produce further volatility in the near-term as the conflict plays out. Supply-demand mismatches remain and, in some areas, have been exacerbated by the war. Likely tax hikes from the Biden administration are a further issue on the horizon which will impact earnings. Businesses with a strong competitive advantage, which tend to have power to raise prices, should do relatively well in an inflationary environment. As more central banks initiate rate rises in the coming months, this may actually ease, rather than add to market uncertainty. 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.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1117AU**
Flexible Lifetime - Investments (Series 2)	AMP1414AU**
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*
SignatureSuper Term Pension	AMP1153AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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