Future Directions Emerging Markets

Quarterly Investment Option Update

30 September 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 this product, please visit www.amp.com.au/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	96.69
Listed Property and Infrastructure	0.22
Cash	3.09

Sector Allocation	%
Financials	22.02
Information Technology	18.02
Consumer Discretionary	13.03
Materials	8.91
Communication Services	8.62
Consumer Staples	6.96
Industrials	6.54
Energy	5.58
Utilities	3.33
Cash	3.09
Health Care	3.00
Real Estate	0.90

Top Holdings	%
TSMC	5.56
Samsung Electronics Co Ltd	3.87
Alibaba Group Holding Ltd	2.87
Tencent Holdings Ltd	2.42
RELIANCE INDUSTRIES LTD	1.97
Meituan	1.88
NetEase Inc	1.78
Infosys Ltd	1.57
Vale SA	1.39
Wal-Mart de Mexico SAB de CV	1.27

Region Allocation	%
Emerging Asia	72.37
Middle East & Africa	9.65
Latin America	8.63
Cash	3.09
Developed Asia x Aus x Jpn	2.13
Emerging Europe	1.71
United Kingdom	1.11
Europe ex UK	0.90
North America	0.41

Fund Performance

The Fund posted a negative return and underperformed the benchmark (before fees) over the quarter. Our three underlying managers struggled amid continued difficult conditions, with Lazard the top performer in both absolute and relative terms. outperformed its benchmark. Longer-term Fund performance remains positive overall, with the Fund outperforming its benchmark over 1, 2, 3 and 5 years, and since inception (before fees).

In the September quarter, sector allocation positively contributed to the relative return, though stock selection detracted.

Significant contributors included an underweight exposure to Tencent and overweight holdings in Wal-Mart de Mexico and OCI. Tencent shares fell (-20%) over the quarter, as the Chinese technology conglomerate was sold off amid renewed COVID lockdown concerns and continued regulatory issues. Wal-Mart de Mexico shares rose (+10%) on the back of better than expected earnings and signs of relative strength in Mexican retail. Fertiliser and industrial chemicals producer OCI rose (+20%) on improved supply & demand dynamics.

Significant detractors for the quarter included overweight holdings in China Longyuan Power Group, Hong Kong Exchanges & Clearing and East Money Information. Shares in China Longyuan Power fell (-31%) amid continued concerns around weak levels of wind power generation in China. Shares in financial exchange business Hong Kong Exchanges & Clearing fell (-25%), while shares in Chinese financial information company, East Money Information, also fell over the quarter (-30%). Both these businesses were impacted by broader market selloffs, with East Money also being impacted by regulatory concerns.

Market Review

A rally early in the September quarter promptly reversed, as sharemarkets fell on concerns around the ongoing high levels of inflation, further rate rises from central banks and a growing likelihood of recession. International shares ended the quarter down by 4.5%, as measured by the MSCI World ex Australia index. While hopes of a peak in inflation were stoked by a pullback in the prices of some core goods, core services now look to be taking the lead in driving the CPI. An escalating situation in Ukraine also didn't help, with Russian nuclear threats reiterated. US corporate earnings meanwhile came in generally ahead of expectation, while outlooks were not as bad as feared. Emerging markets fared worse over the period, falling by 8.2%, as measured by the MSCI Emerging Markets index. Chinese equities were a major driver of the underperformance amid weak Chinese growth, ongoing uncertainty around "zero-COVID" lockdown restrictions, Taiwan-related tensions and property market issues. Taiwan and South Korean equities were also quite weak. A strengthening US dollar added further pressure on emerging-markets, given most emerging-market national debt is held in US dollars. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

As central banks continue to raise interest rates to fight inflation, markets appear to have factored in a strong likelihood of recession. Corporate earnings are facing headwinds, with increased costs eating into margins often reflected by downwards revisions to earnings estimates. The war in Ukraine is likely to continue to exacerbate uncertainties in energy prices. In this environment, businesses with a strong competitive advantage and power to raise prices are likely to gain market share. Significant falls in markets tend to create strong investment opportunities and we believe investors with a diversified portfolio of quality businesses, bought at a reasonable price, are likely to do relatively well in the long-term.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1117AU**
Flexible Lifetime - Investments (Series 2)	AMP1414AU**

**Closed to new and existing investors

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