

Future Directions Asian Share

Quarterly Investment Option Update

30 June 2019

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

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	95.10
Listed Property and Infrastructure	2.68
Cash	2.22

Sector Allocation	%
Information Technology	25.60
Financials	24.57
Consumer Discretionary	10.50
Real Estate	10.28
Communication Services	7.70
Industrials	4.44
Utilities	4.06
Consumer Staples	3.86
Energy	3.45
Cash	2.22
Materials	1.73
Health Care	1.58

Top Holdings	%
Samsung Electronics Co Ltd	6.62
TSMC	5.83
Alibaba Group Holding Ltd	5.74
Tencent Holdings Ltd	4.99
AIA Group Ltd	2.99
PING AN	2.60
Infosys Ltd	2.10
CNOOC Ltd	1.98
China Telecom Corp Ltd	1.93
Cheung Kong Holdings Ltd	1.90

Region Allocation	%
Asia ex Japan	96.99
Cash	2.22
North America	0.79

Fund Performance

The Fund posted a positive absolute return (before fees) and outperformed its benchmark over the June quarter. Both underlying managers posted positive returns and outperformed the benchmark, with Lazard achieving the strongest performance.

Stock selection was the key driver of performance, making a positive contribution to relative returns. Sector and country allocation also contributed to relative returns. An allocation to cash was a slight detractor as markets rallied.

At the country level, overweight positions in Hong Kong, Indonesia and Thailand, and an underweight position in South Korea, were the main contributors to relative returns. An overweight position in China was the main detractor. At the sector level, underweight positions in health care and consumer discretionary, and an overweight position in information technology, were the main contributors to relative returns. An underweight position in communication services was the main detractor.

At the security level, the main contributor to relative returns was an underweight holding in Chinese technology and search engine and internet-related services company Baidu Inc. The stock price fell sharply (-27.9%) in the wake of the company's search engine operation reporting its first loss since going public, which prompted concerns over a greater than expected loss of market share. Conversely, the largest detractor from relative returns was an overweight holding in Chinese online motor vehicle trading platform Autohome Inc. The stock price fell sharply (-17.6%) as auto sales in China continue to decline amid a slowdown in economic growth.

Market Review

The MSCI World (ex Australia) index finished the quarter up by 3.51%. Global equities were strong early in the quarter, amid a mostly positive US reporting season. Upbeat sentiment around the globe was further supported by a relatively dovish US central bank, sound levels of economic growth, strong resource prices and US-China trade deal optimism. Markets subsequently took back some of these gains mid-quarter. An escalating US-China trade conflict was the major culprit, along with the US flagging the possibility of increasing tariffs more broadly. Markets then powered ahead in June, with some even breaking record-highs as dovish central bank policies drove market sentiment. European equities, particularly Germany's DAX index, were very strong, as expectations of further easing from the European Central Bank rose.

Emerging markets, while positive, couldn't match their developed counterparts' performance over the quarter; the MSCI Emerging Markets index finished the period up by 0.20%, despite mostly strong resource prices and broadly positive sentiment.

(All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

Despite the general rise in share prices since the beginning of the year; looking ahead, elevated valuations and a currently unresolved US-China trade dispute present an asymmetric risk exposure, with an increased risk of a correction. The current environment of uncertainty has the potential to provide periods of heightened volatility as we enter the September quarter.

The downside risk will likely be exacerbated by geopolitical risks, including the potential for an escalation in the conflict between the US and Iran.

In Europe, a weakening economy and political upheaval, including Brexit and internal European Union disagreements, will likely increase risks. Furthermore, with the German economy remaining susceptible to a further slowdown and the European Commission having revised down its growth estimates, any instability at the union's core will mean there will be little to mask any fragility within peripheral economies. Thus, further stimulatory measures are to be expected.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1197AU*
AMP Flexible Super - Retirement account	AMP1344AU*
AMP Flexible Super - Super account	AMP1473AU*
CustomSuper	AMP1197AU*
Flexible Lifetime - Allocated Pension	AMP1201AU*
Flexible Lifetime - Investments (Series 1)	AMP1205AU*
Flexible Lifetime - Investments (Series 2)	AMP1408AU*
SignatureSuper	AMP1211AU*
SignatureSuper - Allocated Pension	AMP1220AU*

*Closed to new investors

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