

Future Directions Emerging Markets

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, 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

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	95.77
Listed Property and Infrastructure	1.84
Others	0.00
Cash	2.39

Sector Allocation	%
Financials	24.81
Information Technology	20.61
Consumer Discretionary	11.07
Materials	8.12
Energy	7.41
Consumer Staples	6.66
Communication Services	5.85
Industrials	5.27
Real Estate	3.20
Utilities	3.06
Cash	2.39
Health Care	1.55
Others	0.00

Top Holdings	%
Samsung Electronics Co Ltd	4.74
TSMC	4.55
Tencent Holdings Ltd	4.15
Alibaba Group Holding Ltd	3.91
PING AN	2.14
China Construction Bank Corp	1.61
LUKOIL PJSC	1.38
Petroleo Brasileiro SA	1.33
Infosys Ltd	1.27
China Merchants Bank Co Ltd	1.04

Region Allocation	%
Asia	64.52
Latin America	12.60
Europe	9.33
Middle East & Africa	6.73
Others	4.42
Cash	2.39

Fund Performance

The Fund posted a positive absolute return (before fees) and outperformed its benchmark over the June quarter. All three underlying fund managers posted positive returns and outperformed the benchmark. The Fund continues to outperform over the longer term, including 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Country allocation contributed to relative performance over the period. An underweight allocation to China was the main positive contributor, while an underweight allocation to Greece was the main detractor.

Sector allocation contributed to relative performance. Underweight positions in health care and communication services were the main contributors, while an underweight position in financials and an overweight position in materials were the main detractors.

Security selection was the key driver of relative performance. The largest individual contributor was 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. Other significant contributors included overweight positions in Advanced Info Service Public Company (+24.3%) and Companhia de Transmissao de Energia Eletrica Paulista (+36.3%).

The largest individual detractor from relative performance was an underweight position in Russian natural gas producer Gazprom. The stock price rallied (+64.1%) strongly as the company plans to start supplying gas to China, pursuant to a contract that extends for 30 years. Other significant detractors included underweight positions in Sberbank Russia (+24.1%) and Housing Development Finance Corporation (+13.1%).

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	AMP1103AU*
AMP Flexible Super - Retirement account	AMP1350AU*
AMP Flexible Super - Super account	AMP1479AU*
CustomSuper	AMP1103AU*
Flexible Lifetime - Allocated Pension	AMP1105AU*
Flexible Lifetime - Investments (Series 1)	AMP1117AU*
Flexible Lifetime - Investments (Series 2)	AMP1414AU*
Flexible Lifetime - Term Pension	AMP1109AU*
SignatureSuper	AMP1114AU*
SignatureSuper - Allocated Pension	AMP1153AU*

*Closed to new investors

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