Future Directions Emerging Markets

Quarterly Investment Option Update

30 June 2023

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
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	100
Cash	0

Actual Allocation	%
International Shares	97.69
Listed Property and Infrastructure	0.52
International Fixed Interest	0.73
Cash	1.06

Sector Allocation	%
Financials	20.69
Information Technology	19.67
Consumer Discretionary	14.37
Industrials	8.30
Communication Services	7.48
Materials	7.28
Consumer Staples	7.06
Utilities	3.58
Real Estate	3.21
Energy	2.91
Health Care	2.85
Cash	1.80
Futures	0.82

Top Holdings	%
TSMC	7.12
Samsung Electronics Co Ltd	5.11
Tencent Holdings Ltd	3.29
Alibaba Group Holding Ltd	2.77
Naspers Ltd	1.69
PING AN	1.30
NetEase Inc	1.22
Power Grid Corp of India Ltd	1.18
China Construction Bank Corp	1.11
Meituan	1.01

Region Allocation	%
Emerging Asia	72.14
Latin America	10.45
Middle East & Africa	9.20
Developed Asia x Aus x Jpn	1.99
Europe ex UK	1.63
North America	1.60
Emerging Europe	1.33
Cash	1.06
United Kingdom	0.59

Fund Performance

The Fund posted a positive return and marginally lagged the benchmark in the June quarter. All of the Fund's three underlying managers delivered positive returns, with Lazard and Schroders also outperforming the benchmark. Over the medium to long-term, Fund performance remains positive overall for 3 years, 5 years, and since inception.

Over the quarter, stock selection was the primary contributor to Fund returns. Exposures within real estate, industrials and health care contributed most, outweighing the active positioning within financials and materials which detracted the most. However, the Fund's sector allocation detracted from the relative return, mainly due to an underweight exposure to energy, whereas the underweight to communication services was a strong contributor. There were no standout contributors or detractors from a country allocation perspective.

Turning to individual stocks, the largest contributor for the period was the overweight position in Indian aerospace and defence company Hindustan Aeronautics (+19%), which rose on the back of optimism that its order book to produce Indian fighter jets and engines is likely to increase. The Fund also benefited from being underweight in Chinese technology conglomerate Tencent (-13%), which fell after reporting disappointing online advertising sales and profit for the March quarter and an overweight exposure to Indian health care facility operator Max Healthcare Institute (+7%) which was buoyed by healthy results and news the government would allow price increases for procedures.

Significant detractors for the quarter included overweight positions in Hua Hong Semiconductor, MediaTek and Infosys. China's Hua Hong Semiconductor (-26%) fell after investors took profits following its latest quarterly results which included lower-than-expected guidance for future margins. Shares in Taiwanese chipmaker MediaTek (-6%) suffered after recent results showed lower than forecast demand for smartphones and Indian IT company Infosys (-5%), which sold off after announcing its latest quarterly results, with revenue forecasts being impacted by the issues in the US banking sector.

Market Review

The June quarter proved to be another strong one for international shares, with markets finishing the period up 7.3%, as measured by the MSCI World ex Australia index, in local currency terms. Technology and growth-focussed stocks dominated, with some of these stocks approaching somewhat extreme-looking earnings multiples. The main driver of the rally was the overarching theme of central banks looking to slow or pause their rate-hikes as inflation, while still high, continued to fall. A clear tightening bias however remained. Economic data continued to be indicative of likely recessionary conditions ahead, though showed some resilience relative to investor expectations, particularly in the US. Meanwhile, the March US earnings season was generally reasonable, with more companies surprising on the upside than the downside, despite continuing to flag difficult conditions ahead in outlook statements. Emerging markets meanwhile again underperformed their developed peers, returning 1.7% for the period with China being the main drag amid weakening Chinese trade, manufacturing and retail sales data. The market's main focus, however, was on the prospects for Artificial Intelligence (AI), resulting in a select group of associated stocks contributing to gains. As a consequence, semiconductor stocks in South Korea and Taiwan took those markets higher. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Outlook

After around a year of raising interest rates, some central banks have slowed or paused their hikes, despite maintaining a tightening bias, on the back of significantly decreased (though still high) levels of inflation. Economic growth has also slowed, with some economies already falling into recession. For long-term investors however, recession generally shouldn't be a concern, as this is part of the normal economic cycle. While the corporate environment may toughen further, stronger businesses will likely emerge with increased market dominance. Furthermore, share prices tend to lead the economic cycle, rather than be synchronised to it. We believe a diverse basket of businesses bought at reasonable prices, particularly those with strong competitive advantage that generate high amounts of cash from their shareholders' capital, will serve investors well over 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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