



# Future Directions Emerging Markets

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Global Shares
<b>Suggested minimum investment timeframe</b>	7 years
<b>Standard Risk Measure</b>	7/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	97.44
Listed Property and Infrastructure	0.73
Cash	1.83

<b>Sector Allocation</b>	<b>%</b>
Financials	21.63
Information Technology	18.46
Consumer Discretionary	14.42
Industrials	9.05
Communication Services	7.82
Consumer Staples	7.55
Materials	6.09
Real Estate	3.69
Health Care	3.24
Energy	2.89
Utilities	2.86
Cash	1.83
Futures	0.47

<b>Top Holdings</b>	<b>%</b>
TSMC	6.53
Samsung Electronics Co Ltd	4.92
Tencent Holdings Ltd	3.51
Alibaba Group Holding Ltd	3.06
HDFC Bank Ltd	1.45
NetEase Inc	1.38
Power Grid Corp of India Ltd	1.24
PING AN	1.22
Naspers Ltd	1.13
Larsen & Toubro Ltd	1.10

Region Allocation	%
Emerging Asia	73.05
Latin America	9.74
Middle East & Africa	8.57
Europe ex UK	2.28
Developed Asia x Aus x Jpn	2.22
Emerging Europe	1.51
Cash	1.40
North America	0.94
United Kingdom	0.29

## Fund Performance

The Fund posted a marginal negative return and lagged the benchmark in the September quarter. One of the Fund's three underlying managers gained ground, with Lazard leading the way to also outpace 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, communication services and financials contributed most, outweighing the active positioning within consumer staples and utilities which were major detractors. However, the Fund's sector allocation was a minor detractor from the relative return, mainly due to an underweight exposure to energy. There were no standout contributors or detractors from a country allocation perspective.

At an individual stock level, the largest contributor for the period was the overweight position in Chinese private educational service provider New Oriental Education & Technology Group (+60%), which rallied after the company reported better than expected revenue for Q1. The Fund also benefited from an overweight holding in Emirati real estate company Emaar Properties (+29%) which rose after the company announced it was exploring opportunities in Saudi Arabia and despite posting mixed results for Q2 which included record property sales growth. Indian-based conglomerate Larsen & Toubro (+26%) was buoyed by speculation it had won a significant development contract from Aramco for the Jafura gas field.

Significant detractors for the quarter included overweight positions in AIA Group and Ambev and having nil position in Quanta Computer. Shares in Chinese insurer AIA Group (-16%) was caught up in negative market sentiment despite continued improvement in life insurance sales. Brazilian brewing company Ambev (-15%) fell after releasing its latest results which disappointed investors, with profits down compared to the prior corresponding period amid lower volumes in Canada and Central America and the Caribbean. Taiwan-based electronics manufacturer Quanta Computer (+56%) rose strongly as IT hardware and infrastructure stocks continued to benefit from the potential demand for artificial intelligence.

## Market Review

Equity markets over the September quarter initially climbed higher, on the back of gathering confidence of an economic soft landing playing out, i.e., a 'goldilocks' type situation with falling inflation, growth remaining positive and interest rate-rises no longer being required. As the quarter drew on however, these optimistic hopes were somewhat blunted, or at least pushed back timewise. Inflation, while still falling on a medium-term basis, remained sticky, labour markets remained tight, while consumption was quite resilient; therefore, central bank rhetoric and speculation seemed to sway back towards the 'higher for longer' narrative. An autoworkers' strike in the US plus yet another potential government shutdown also didn't help equity markets' sentiment. Thus, despite rising in June and much of July, global shares finished the quarter down by around 2.7% in local currency terms (though the

performance was a little better in Australian dollar terms, given currency movements). Growth-focused US technology stocks yet again stood out as major market movers. Driven by similar themes, emerging market equities also fell, though they outperformed developed markets. Improving, though still-volatile sentiment around the Chinese economy was a major driver of market movements, particularly in countries focused on commodity exports, as further monetary and fiscal stimulus was announced by the Chinese government.

## Outlook

Interest rates around the world are largely accepted as being close to their cyclical peak, on the back of significantly decreased (though still elevated) levels of inflation. Economic growth has also slowed, but not yet to deep recessionary levels. For long-term investors, a mild recession 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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RESULTS

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