Future Directions International Share Original

Quarterly Investment Option Update

30 September 2023

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the MSCI World (ex-Australia, ex-Tobacco) Accumulation Index with net dividends reinvested on a rolling 3-year basis. It uses a multi-manager approach that offers investors with exposure to different underlying investment strategies focused on international shares (excluding Australia). In certain market conditions, the portfolio may hold a higher level of cash than the 10% limit.Note: An unhedged strategy results in net performance being impacted (positively or negatively) by movements in the Australian dollar, relative to other currencies where the portfolio holds exposure.

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	100.03
Cash	-0.03

Sector Allocation	%
Information Technology	20.04
Financials	19.36
Health Care	12.46
Energy	10.72
Consumer Discretionary	9.78
Industrials	9.28
Communication Services	8.60
Consumer Staples	3.11
Materials	2.59
Cash	1.48
Utilities	1.43
Real Estate	0.89
Futures	0.27
Others	0.00

Top Holdings	%
Microsoft Corp	4.21
Alphabet Inc	3.17
Meta Platforms Inc	2.73
APPLE INC	2.46
NVIDIA Corp	1.78
UnitedHealth Group Inc	1.75
Novo Nordisk A/S	1.54
TotalEnergies SE	1.52
AstraZeneca PLC	1.32
Amazon.com Inc	1.26

Region Allocation	%
North America	60.66
Europe ex UK	13.41
Japan	8.51
Emerging Markets	8.25
UK	6.22
Cash	1.48
Pacific ex Japan	1.47

Fund Performance

The Fund posted a positive return during the September quarter and comfortably outperformed its benchmark. Three of the Fund's five underlying managers gained ground, with four managers outperforming their benchmarks led by Orbis, GQG and Arrowstreet.

At a country level, active allocation contributed to performance on a relative basis. Holdings in Turkey and South Korea added most value, while within developed markets, the underweight positions in Denmark and Japan contributed most. This outweighed the detraction from the overweight holdings in the Netherlands and Hong Kong.

Sector allocation contributed strongly to relative Fund returns. Most sector positions enhanced returns, with an overweight to energy and financials in particular boosting performance, whereas underweight positions in health care and IT detracted somewhat. Stock selection was the strongest contributor to Fund performance, with positions in financials, consumer discretionary and energy stocks adding most value.

The largest individual stock contributors were overweight holdings in Inpex Corp, TotalEnergies and Sumitomo Mitsui Financial Group. Japanese oil and gas explorer Inpex Corp (+41%) rose strongly after the company raised its forecast for full year profit by 7%, increased its expected dividend and announced a share buyback. Shares in French energy company TotalEnergies (+20%) were buoyed following the release of its latest results, with strong overall cash flow and production from new project start-ups and high margins from its integrated LNG segment contributing. Japanese financial services provider Sumitomo Mitsui Financial Group (+21%) found support as the country's economic recovery remains steady.

The largest individual stock detractors were overweight holdings in Bayerische Motoren Werke (BMW) and HDFC Bank and an underweight exposure to Exxon Mobil Corp. German-based auto producer BMW (-14%) fell despite posting reasonable results and announcing improved guidance for its full-year outlook, as stagflation worries in Europe persisted as high inflation was accompanied by weak growth and concerns around China's economic recovery also impacted. Shares in HDFC Bank (-13%) sold off following the listing of its new shares after its merger with HDFC Ltd. Exxon Mobil Corp (+14%) was buoyed by energy sector tailwinds as oil demand continued to recover and the oil price was further boosted by supply cuts.

Market Review

Equity markets over the September quarter saw markets initially climb 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 earlier in the period, 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-focussed US technology stocks yet again stood out as major market movers.

Driven by similar themes, emerging market equities also fell over the quarter, finishing down by -1.4% for the period, though outperforming developed markets. Improving, though still-volatile sentiment around the Chinese economy was a major driver of market movements, particularly in countries focussed 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, or already at 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)	AMP0017AU**

**Closed to new and existing investors

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