

# Future Directions Emerging Markets

Quarterly Investment Option Update

31 March 2024

## 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>
Global Shares	97.60
Cash	1.97
Property	0.44

<b>Sector Allocation</b>	<b>%</b>
Information Technology	25.72
Financials	20.47
Consumer Discretionary	12.50
Communication Services	7.62
Industrials	6.92
Materials	5.38
Consumer Staples	5.28
Energy	4.82
Real Estate	3.32
Health Care	3.23
Utilities	2.20
Cash	1.97
Futures	0.55

<b>Top Holdings</b>	<b>%</b>
TSMC	8.60
Samsung Electronics Co Ltd	4.42
Tencent Holdings Ltd	3.10
MediaTek Inc	1.71
Alibaba Group Holding Ltd	1.69
Reliance Industries Ltd	1.57
SK Hynix Inc	1.54
NetEase Inc	1.30
Bank Mandiri Persero Tbk PT	1.14
Kia Corp	1.08

<b>Region Allocation</b>	<b>%</b>
Emerging Asia	75.04
Latin America	9.63
Middle East & Africa	7.54
Developed Asia x Aus x Jpn	1.65
North America	1.55
Emerging Europe	1.52
Europe ex UK	1.50
Cash	1.50
United Kingdom	0.06

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## Fund Performance

The Fund posted a strong positive return to comfortably outperform the benchmark in the March quarter. All of the Fund's three underlying managers gained ground and outperformed the benchmark, with Lazard leading the way. Over one year, the Fund has delivered a double-digit return and exceeded the benchmark performance, whilst over the medium to long-term Fund performance remains positive overall.

Over the quarter, stock selection was the primary contributor to Fund returns, mainly due to the active positioning in industrials, health care, consumer discretionary and communication services. Elsewhere, sector allocation was marginally negative overall, with the cash position (as markets rose strongly) and being overweight real estate the main drags on performance, whilst an underweight position in materials plus an overweight to IT contributed most.

From a country allocation perspective, active positioning was negative overall, with the overweight position in Brazil and having nil holdings in Kuwait outweighing the contributions from being underweight to Qatar and China, which again lagged most other emerging markets.

At an individual stock level, the largest contributors for the period were the overweight positions in PB Fintech, Hindustan Aeronautics and Bank Mandiri Persero. Indian online financial services company PB Fintech (+48%) rallied after reporting its latest results which included its first profit on the back of strong growth in its insurance arm. Shares in Indian defence business Hindustan Aeronautics (+25%) were buoyed as Indian shares in general benefited from the rotation away from China and prime minister Modi's infrastructure spending drive. Indonesian Bank Mandiri Persero (+27%) rose after reporting full-year results which included the bank's largest profits in its 25 year history.

Significant detractors for the quarter included an underweight exposure to Hon Hai Precision Industry and overweight positions in AIA Group and Bangkok Bank. Shares in Taiwanese-based computer connectors and components maker Hon Hai Precision Industry (+44%) soared to a record high amid the continuing wave of optimism surrounding artificial intelligence (AI). Chinese insurer AIA Group (-19%) suffered amid weak sentiment for Chinese insurers, despite posting decent first-half results. Shares in Bangkok Bank (-13%) also fell as Southeast Asian banks' earnings came under pressure on expectations of US interest rate cuts.

## Market Review

The March quarter was another outstanding period for global shares, with many indices seeing new highs as major developed markets rose by over 10% in local currency terms. (Returns were over 14% in Australian dollar terms as the Australian dollar weakened). 'Goldilocks' like market conditions prevailed, particularly in the US, as traders bet on inflation continuing to fall and any near-term recessionary conditions to be mild. Oscillating sentiment around the path of US interest rates appeared to have little to no impact on global share markets, which rose steadily and despite significantly less rate cuts being priced in at quarter-end relative to the end of 2023. Interestingly, stock gains on a sector basis were more broadly based than recent prior quarters, where IT stocks have dominated. Emerging market shares also rose strongly, though significantly underperformed developed markets on the back of continued Chinese economic growth concerns and delays in the Fed cutting weighed on interest rate-sensitive markets such as Brazil.

## Outlook

Interest rates have begun falling in some countries on the back of significantly decreased levels of inflation and low economic growth, particularly outside of the US. The corporate environment remains tough, though strong businesses, as always, will likely move forward with increased market dominance. 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.

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## 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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