

Multi-Manager Australian Small Companies

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, higher than the return from the S&P/ASX Small Ordinaries Accumulation Index on a rolling three-year basis. The portfolio invests in small companies listed on the ASX. For this portfolio, small companies are considered to be those outside the top 100 listed companies (by market value). Up to 20% of the portfolio may be invested in unlisted companies that the investment manager believes are likely to be listed in the next 12 months, or in companies between the top 50 and 100 listed on the ASX.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
Australian Shares	100.08

Sector Allocation	%
Materials	15.84
Consumer Discretionary	14.69
Information Technology	13.83
Industrials	11.85
Health Care	10.74
Consumer Staples	8.08
Financials	7.20
Cash	6.17
Communication Services	5.54
Real Estate	4.40
Energy	1.67

Top Holdings	%
Technology One Ltd	2.80
Fisher & Paykel Healthcare Cor	2.52
NEXTDC Ltd	2.46
Steadfast Group Ltd	2.31
Emeco Holdings Ltd	2.26
City Chic Collective Ltd	1.97
Bapcor Ltd	1.93
Collins Foods Ltd	1.93
Seven Group Holdings Ltd	1.69
Freedom Foods Group Ltd	1.66

Fund Performance

In what was a very difficult period, the Fund posted a negative absolute return and underperformed its benchmark over the March quarter. All four of the Fund's underlying managers posted negative absolute returns, but Elly Griffiths and Eiger outperformed the benchmark, while Perennial and Spheria underperformed the benchmark. The Fund continues to outperform its benchmark over the longer term, including over 1, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Stock selection was the main reason for the relative underperformance, while sector allocation contributed positively to relative returns. Regarding sector allocation, the main contributors to relative returns were an overweight exposure to information technology, and underweight exposures to financials and real estate. The main detractors were overweight exposures to consumer discretionary and industrials, and an underweight exposure to consumer staples.

Regarding stock selection, the main detractors from relative returns were positions in health care, consumer staples and communication services, while the main contributors were positions in financials.

The largest individual detractor from relative performance was an underweight position in Metcash. The supermarket owner rallied strongly (+22.6%) as consumers raced to stock up on food and other essential household items as COVID-19 containment measures were rolled out. Other detractors included overweight positions in earthmoving equipment provider Emeco Holdings, which fell (-60.7%), and entertainment company Village Roadshow, which dropped (-64.3%) over the period.

The largest individual contributor to relative performance was not holding a position in Webjet. The largest travel agency in Australia and New Zealand fell sharply (-71.1%) due to heightened concerns about the spread of COVID-19 and the impact of containment measures on travel. Other positive contributors included an overweight position in software company TechnologyOne, which only declined modestly (-3.5%), and an underweight position in financial services company IOOF Holdings which fell (-52.2%) over the period.

Market Review

Australian shares were hit heavily by the COVID-19 crisis in the March quarter, falling by 23.1%, as measured by the S&P/ASX200 index on a total return basis. This was despite a strong performance in January which led to record highs being touched early in the quarter, before fears grew around the COVID-19 virus and the likely sharp economic downturn it has caused. This resulted in large amounts of indiscriminate panic-selling, particularly during mid-to-late quarter. While the virus and its associated lockdowns are causing a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Nonetheless, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged that dividends may be impacted. Positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A\$200 billion or 10% of GDP, which is nearly double that of the stimulus injected during the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

Outlook

Australian shares will likely remain to be strongly influenced by global markets, as the impact of the COVID-19 virus plays out. Australia's economic growth is likely to sharply fall, though similar to its international peers, this is likely to be temporary and bounce back at some stage. Valuations now appear significantly cheaper after the recent virus-related falls and relative to low bond yields, though given the lack of earnings visibility over the shorter term, a degree of caution is appropriate. Highly supportive Australian monetary and fiscal policy should also aid markets over the medium term.

Availability

Product Name	APIR
AMP Growth Bond	AMP1194AU*

*Closed to new investors

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