

Specialist Australian Small Companies

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the performance benchmark, the S&P/ASX Small Ordinaries Accumulation Index, on a rolling three-year basis. The portfolio invests in small companies listed on the Australian Securities Exchange (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/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	13.00
Australian Shares	80.25
Listed Property and Infrastructure	3.47
Others	0.16
Cash	3.12

Sector Allocation	%
Consumer Discretionary	24.15
Materials	15.33
Industrials	12.63
Information Technology	11.37
Health Care	9.87
Financials	6.03
Consumer Staples	5.98
Communication Services	5.63
Real Estate	4.99
Cash	3.12
Energy	0.73
Others	0.16

Top Holdings	%
Marley Spoon AG	2.23
Integral Diagnostics Ltd	2.09
Elders Ltd	2.08
Ingenia Communities Group	2.04
Collins Foods Ltd	1.92
Technology One Ltd	1.90
City Chic Collective Ltd	1.86
Lynas Corp Ltd	1.82
Auckland International Airport	1.81
Bapcor Ltd	1.70

Fund Performance

The Fund posted a very strong positive absolute return and outperformed its benchmark over the September quarter. All four of the Fund's underlying managers posted strong positive absolute returns and outperformed the benchmark by wide margins. The Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Stock selection was the main driver of the outperformance and sector allocation also contributed positively. Regarding sector allocation, the main contributors to relative returns were an overweight exposure to consumer discretionary, and underweight exposures to energy, real estate and financials. The main detractor was an overweight exposure to industrials.

Regarding stock selection, the main contributors to relative returns were positions in information technology, industrials, health care consumer discretionary and financial stocks, while the only detractor was positions in communication services stocks.

The largest individual contributor to relative performance was an overweight position in Marley Spoon. The food delivery service rallied strongly (+50.3%) after providing a healthy quarterly update, with revenue, active customers and total orders more than doubling compared to the same period last year. Other positive contributors included overweight positions in homewares retailer Adairs which continued to rally strongly (+46.2%) and Corporate Travel Management which soared (+80.6%) over the period.

The largest individual detractor from relative performance was an overweight position in ADBRI. The cement manufacturer, previously known as Adelaide Brighton, dropped (-8.9%) after announcing that aluminium producer Alcoa would not be renewing its lime supply contract when it expires next June. Other detractors included underweight positions in regenerative medicine company Mesoblast which made strong gains (+56.3%) and wealth platform provider HUB24 which rocketed higher (+99.3%) over the period.

Market Review

Australian shares initially rose in July and August, before pulling back in September to end the quarter down by 0.44% as measured by the S&P/ASX 200 index, on a total return basis. Early to mid-quarter, Australian shares were driven by rising global markets, amid broader global optimism and the continued presence of massive levels of economic stimulus, with central banks (including the RBA) continuing to indicate they will do whatever is necessary to support economies. The August reporting season then saw the market rise further, with many companies beating unsurprisingly low consensus forecasts. Given the unique COVID-19 backdrop, as expected results were variable from business to business and across sectors. Information technology, healthcare, some of the miners, gold producers and even some consumer discretionary stocks reported relatively strong results, given the circumstances. Retailers focussed on e-commerce, rather than traditional bricks and mortar, also reported strong results. Meanwhile, airlines, other travel-related businesses and financials generally struggled. Late in the quarter, Australian shares fell alongside global markets, as concerns rose around continued and further lockdowns, such as those being experienced in Melbourne, which have now lasted longer than Wuhan's, where the virus originated.

Outlook

Australian shares will likely continue to be primarily driven by global markets. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back has emerged in some sectors, supported by Chinese demand. Australia's greater degree of government stimulus (relative to other countries) should help support Australian shares, though there are some near-term risks, such as soured trade relations with China and a continued lack of medium-term earnings visibility for many companies. Given large price rises since the March lows, there may be an increased risk of corrections, though we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1347AU
AMP Flexible Super - Super	AMP1476AU
CustomSuper	AMP0863AU
Flexible Lifetime - Allocated Pension	AMP0879AU
Flexible Lifetime - Investments (Series 1)	AMP1005AU*
Flexible Lifetime - Investments (Series 2)	AMP1411AU
Flexible Lifetime - Super	AMP0863AU
Flexible Lifetime - Term Pension	AMP0933AU
SignatureSuper	AMP0951AU
SignatureSuper - Allocated Pension	AMP1147AU
SignatureSuper Select	AMP0951AU

*Closed to new investors

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