

Macquarie Australian Small Companies

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (Index) over the medium to long term (before fees). It aims to provide capital growth and some income.

The fund follows a quantitative strategy which utilises a risk-controlled approach to identify mis-priced securities. To achieve this, the Fund will utilise a set of systematic and event driven strategies. The systematic strategies aim to capture Quality, Momentum, and Value characteristics that have historically generated reliable excess returns in the Australian market.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	5+ years
Relative risk rating	7 / Very High
Investment style	Quantitative
Manager style	Single Manager

Sector Allocation	%
Energy	2.45
Materials	20.37
Industrials	8.27
Consumer Discretionary	17.11
Consumer Staples	7.12
Health Care	4.84
Financials	11.55
Real Estate	6.93
Information Technology	9.66
Telecom Services	7.47

Top Holdings	%
Saracen Mineral Holdings Limited	2.07
Mineral Resources	1.91
Beach Energy Limited	1.76
Charter Hall Group	1.70
Uniti Group Ltd	1.67
Oz Minerals Limited	1.49
Johns Lyng Group Ltd	1.49
Seven Group Holdings	1.45
Gwa Group Limited.	1.44
Spark New Zealand Ltd	1.41

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	96.76
Cash	0	3.24

Portfolio Summary

The Investment Strategy underperformed the benchmark in the December 2020 quarter.

Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in Lynas Rare Earths (LYC), Nuix (NXL), and American Pacific Borates (ABR).

American Pacific Borates (ABR), currently developing its flagship borate mine in California, performed strongly after providing a positive update on plans for a secondary listing on the NASDAQ. Management also announced that it is considering engineering initiatives designed to accelerate initial earnings of its flagship mine once it begins production, estimated to be in Q3 2021.

Forensic software company Nuix (NXL) performed strongly following its IPO on 4th December at a price of \$5.31 per share, raising approximately \$950m. Nuix specialises in intelligence software for extracting information from unstructured data.

The main detractors from relative performance included overweight positions in Saracen Mineral Holdings (SAR) and Appen (APX), and an underweight position in Pilbara Minerals (PLS).

Lithium miner Pilbara Minerals (PLS) outperformed after announcing that it had entered into an agreement to acquire Altura Lithium Operations (ALO) for US\$175m. ALO's operation directly neighbours PLS' flagship Pilgangoora Project, and PLS management noted that the close proximity and similar open-pit mining methods provides an opportunity to realise tangible synergies over time.

As at 31 December 2020, the largest overweight positions in the Fund were Saracen Mineral Holdings (SAR), Beach Energy (BPT), and Mineral Resources (MIN).

Market Commentary

The Australian market marched higher in the fourth quarter of the year, with the S&P/ASX Small Ordinaries Accumulation Index ending the quarter up 13.83%. This was broadly in line with the broader benchmark (S&P/ASX 300 Accumulation Index +13.79%). This takes the calendar year return into positive territory with the S&P/ASX Small Ordinaries Accumulation Index returning 9.21%.

There was much for investors to digest throughout the quarter. Positive vaccine news was received with relief and viewed as the beginning of the end for the pandemic despite a backdrop of record high COVID-19 cases in much of the western world. Meanwhile the US Presidential election resulted in a Biden win which has since been cemented further following the results of the Georgia Senate run-offs in early January, which now means the Democrats will control both houses of Congress, along with the White House. Domestically, November saw the Australian market post its best monthly returns in more than three decades off the back of the encouraging vaccine developments. A key theme of markets for the quarter was a rotation back to sectors that had been hardest hit by the pandemic and subsequent lockdowns. However, it remains to be seen if this so-called 'Value rotation' has longevity. The local market tapered off towards the end of the quarter, following the detection of a COVID-19 cluster in Sydney's Northern Beaches. Stimulus measures, both monetary and fiscal, continue to provide support and in October, the 2020 Commonwealth budget was delivered, outlining larger than expected measures including tax breaks for individuals and hiring incentives for businesses.

Outlook

Positive news regarding additional stimulus, as well as the approval and early stage distribution of COVID-19 vaccines, continued to drive global markets higher in December. As 2020 comes to a close, the recovery in the Australian market appears to be continuing however particular attention will be paid by investors to COVID new case data and the implications for economic activity. With the February reporting season now closing in, investors will also be watching closely to determine whether the market's forgiveness around negative announcements seen throughout 2020 will extend into the new year.

Availability

Product Name	APIR Code
SignatureSuper	AMP0962AU*

*Closed to new investors

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