

Specialist Australian Small Companies

Quarterly Investment Option Update

31 March 2021

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	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	9.11
Australian Shares	83.51
Listed Property and Infrastructure	3.60
Cash	3.79

Sector Allocation	%
Consumer Discretionary	21.63
Materials	14.47
Industrials	13.02
Information Technology	9.09
Health Care	9.08
Financials	7.06
Communication Services	7.06
Consumer Staples	5.83
Real Estate	5.63
Cash	3.79
Energy	3.34

Top Holdings	%
Technology One Ltd	2.48
Integral Diagnostics Ltd	2.45
Lynas Rare Earths Ltd	2.36
Eagers Automotive Ltd	2.27
City Chic Collective Ltd	2.16
Elders Ltd	1.97
Ingenia Communities Group	1.94
Whitehaven Coal Ltd	1.86
Flight Centre Travel Group Ltd	1.80
Fletcher Building Ltd	1.77

Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the March quarter. All four of the Fund's underlying managers posted positive returns and Eiger, Spheria and Perennial outperformed the benchmark. The Fund continues to strongly 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, while sector allocation detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were an overweight exposure to industrials and an underweight exposure to financials, while the main contributors were an underweight exposure to real estate and an overweight exposure to consumer discretionary.

Regarding stock selection, the main contributors to relative returns were positions in industrials, materials, communication services and health care stocks, while the main detractors were positions consumer staples stocks. The largest individual contributor to relative performance was an overweight position in Calix. The technology company soared (+100.9%) along with interest in its developments of more environmentally friendly solutions for industries. It also reported very strong full-year 2020 results and provided robust earnings guidance. Other positive contributors included an overweight position in mining company Lynas Rare Earths which continued to climb (+55.0%), and an underweight position in infection prevention company Nanosonics which fell (-29.0%) over the period.

The largest individual detractor from relative performance was an underweight position in Virgin Money UK. The financial services provider rallied strongly (+44.7%) mainly due to optimism around the availability and rollout of COVID-19 vaccines, and despite releasing disappointing full-year 2020 results. Other detractors included an underweight position in retailer Harvey Norman which gained (+26.4%), and an overweight position in software company Limeade which fell sharply (-43.9%) over the period.

Market Review

Australian shares climbed higher in the March quarter, rising by 4.26% as measured by the S&P/ASX 200 index on a total return basis, as global economies continued to recover from the COVID-19 pandemic. Similar to the tone in international markets, sentiment in the Australian market was generally optimistic, despite some underlying pockets of concern. This was aided by a strong half-yearly company reporting season, which produced mostly good results relative to the prior period. Many companies' earnings bounced back significantly towards (and in some cases beyond) their pre-COVID levels, leading some businesses to increase dividends and reintroduce forward guidance. The retail and mining sectors were standout sectors for strong results. Banks were also able to reduce some of their bad debt provisions. The global theme of rotation from growth and technology-orientated stocks towards value and cyclical stocks also prevailed in the domestic market. While Australia still appears well placed in a global sense to emerge strongly from the COVID-19 crisis, concerns around wages growth and inflation levels remain, which was reflected in comments from the RBA who reiterated they would continue their stimulatory policy strategy for as long as necessary, which helped support the market. Concerns around Australia's debt levels also remain a talking point.

Outlook

Australian shares will likely continue to be strongly influenced by global markets and events. The hope is that, now the COVID-19 vaccination programme has started to roll out, the economy will be able to return to more normalised growth in a reasonable timeframe, boosting business and consumer confidence. Australia's greater degree of government stimulus (relative to other countries) and low COVID-19 cases from an international perspective should aid the recovery process. However, soured trade relations with China and a continued lack of medium-term earnings visibility for many companies remain a spectre. In addition, the upcoming wind-down in government support programmes will add to uncertainty. Given the large equity price rises post the large pandemic-induced correction early in 2020, there is an increased risk of a correction, 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 and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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