

Multi-Manager Australian Small Companies

Quarterly Investment Option Update

31 December 2021

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/performance

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 small company shares	100
Cash	0
Actual Allocation	%
Australian Shares	99.95
Cash	0.05

Sector Allocation	%
Consumer Discretionary	23.97
Materials	14.01
Information Technology	13.73
Industrials	12.19
Health Care	8.14
Communication Services	6.74
Financials	6.70
Real Estate	4.08
Cash	4.01
Consumer Staples	3.46
Energy	2.96

Top Holdings	%
Technology One Ltd	2.49
Integral Diagnostics Ltd	2.31
Flight Centre Travel Group Ltd	2.10
ARB Corp Ltd	1.99
City Chic Collective Ltd	1.89
Johns Lyng Group Ltd	1.89
Class Ltd	1.82
Eagers Automotive Ltd	1.81
Collins Foods Ltd	1.77
IRESS Ltd	1.71

Fund Performance

The Fund posted a positive return and comfortably outperformed its benchmark over the December quarter. All four of the Fund's underlying managers posted positive returns and three outperformed the benchmark, led by Elly Griffiths Group. Eiger Asset Management lagged, following a prolonged period of stellar performance. The Fund continues to significantly outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception. (All returns are before fees.)

Stock selection was the driver of the outperformance, while sector allocation detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were an underweight exposure to materials and an overweight exposure to consumer discretionary. The main contributors were underweight exposures to financials and energy.

Regarding stock selection, the main contributors to relative returns were positions in industrials and communication services, while the main detractors were positions in real estate and information technology stocks.

The largest individual contributor to relative performance was an overweight position in Class Ltd. The SMSF administration software company soared (+57%) on news of a takeover bid from HUB24, with the offer coming at a significant premium to Class' previous closing share price and other favourable terms. Other positive contributors included an underweight (not held) position in digital retail payments company Zip Co which fell heavily (-39%) and an overweight position in emerging lithium and tantalum miner Pilbara Minerals which rallied (+22%) over the period. The largest individual detractor from relative performance was an overweight position in Nitro Software. The workforce productivity software supplier fell heavily (-32%) alongside other technology stocks which have not yet reached profitability and was also impacted when its US-based competitor DocuSign announced its outlook towards the end of the period which disappointed the market. Other detractors included overweight positions in travel agency Flight Centre Travel Group which retraced (-18%), and apparel retailer City Chic Collective which also fell (-15%) over the period.

Market Review

Despite a strong international lead, Australian shares range-traded for much of the December quarter against a backdrop of mixed sentiment, before a small Santa Claus rally at year-end led the S&P/ASX 200 index to finish up by 2.09% on a total return basis. Economic data released throughout the quarter was generally consistent with a strong bounce-back following the removal of various Delta-wave lockdowns and restrictions prior to the period, though inflation continued to rise. The latest new COVID-19 variant, Omicron, meanwhile added uncertainty, though state governments have so far been somewhat more restrained with reintroducing restrictions amid high vaccination rates, as well as growing fatigue towards restrictions in general from the public. Given the global inflationary environment, speculation on future interest rate rises was a theme, which impacted sentiment towards some sectors. At a sector level, materials and utilities were the clear outperformers, likely owing respectively to rising commodity prices and a growing search for shelter from inflation. Energy and information technology (IT) meanwhile pulled back over the period, as some pessimism spilled over from global markets amid ongoing supply constraints as well as some specific overseas IT company issues.

Outlook

With national vaccination levels now high and international borders more open (albeit with some limitations and restrictions), businesses confidence has improved significantly relative to earlier in the pandemic. However, this continues to be complicated by different attitudes towards reopening between state governments, which will continue to undermine confidence until resolved. Similar to overseas, domestic inflation remains a concern, with the Reserve Bank of Australia (RBA) now subtly suggesting it may raise rates a little earlier than initially expected, though also reiterating it will not be rushed. Corporate earnings and growth, meanwhile, remain generally solid. Stepping back to a longer-term timeframe, we believe the market will ultimately continue to rise, though with some bumps on the way, as is usually the case. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
Flexible Lifetime – Investments (Series 1)	AMP0019AU*
Flexible Lifetime – Investments (Series 2)	AMP1398AU*
SignatureSuper	AMP8650AU**
SignatureSuper - Allocated Pension	AMP9580AU**
SignatureSuper Term Pension	AMP9850AU**

*Closed to new and existing investors

**Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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