

Specialist Australian Small Companies

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the S&P/ASX Small Ordinaries Accumulation Index, on a rolling 3-year basis by using a multi-manager approach.

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 this 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	%
Global Shares	7.55
Australian Shares	83.05
Listed Property and Infrastructure	3.78
Cash	5.62

Sector Allocation	%
Consumer Discretionary	20.98
Information Technology	12.34
Industrials	11.56
Materials	11.40
Financials	9.09
Health Care	7.58
Communication Services	6.22
Consumer Staples	5.82
Cash	5.60
Energy	5.01
Real Estate	4.40

Top Holdings	%
Flight Centre Travel Group Ltd	2.80
Technology One Ltd	2.48
IRESS Ltd	2.46
Integral Diagnostics Ltd	2.23
Collins Foods Ltd	2.08
Alliance Aviation Services Ltd	1.99
Eagers Automotive Ltd	1.96
Elders Ltd	1.94
Navigator Global Investments L	1.84
Cooper Energy Ltd	1.56

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the June quarter. All of the Fund's four underlying managers lost ground, with Spheria outperforming the benchmark. The Fund continues to comfortably outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception. (All returns are before fees.)

Sector allocation contributed to relative returns, whereas stock selection detracted overall. Regarding sector allocation, the main contributor was the underweight exposure to materials (which significantly lagged other parts of the market). As the market retreated, the Fund's cash position also enhanced returns. The main detractors from relative returns were underweight exposures to real estate and energy (which was the only small companies sector to post a positive return).

Regarding stock selection, the main detractors from relative returns were positions in communication services and consumer discretionary, while the main contributors were positions in IT stocks.

The largest individual detractor from relative performance was the nil position in Whitehaven Coal. The coal miner (+20%) saw its share price continue to benefit as coal prices globally remained elevated, supported by energy demand and the impact of supply disruptions. Other detractors included an overweight position in location-based service provider Life360 (-52%) and an underweight exposure to telecommunications infrastructure company Uniti Group (+4%).

The largest individual contributor to relative performance was the nil position in lithium explorer and developer Lake Resources (-61%), which saw its shares suffer following the shock resignation of its chief executive officer and managing director, prompting investor fears of underlying issues within the company. Other positive contributors included the nil position in battery materials and technology company NOVONIX (-63%) and an underweight position in cloud-based connectivity provider Megaport (-61%).

Market Review

Australian shares fell significantly over the June quarter on the back of broader global falls, with the S&P/ASX 200 index returning -11.9% (on a total return basis) for the period. Similar to international shares, Australian share prices continued to be driven by rising interest rates, higher inflation and fears of recession. Australian corporate earnings, which are weighted towards financials largely on the back of residential property, also added to concern as the housing sector came under further pressure amid the rising rate environment. A number of major home builders also experienced financial strife during the period, further impacting confidence. On the positive side, Australia's economy continues to reap benefits from high commodity prices, particularly coal, which recently overtook iron ore as our largest export. However, a turbulent, struggling energy market, not helped by the war in eastern Europe, impacted energy stocks over the period. At a sector level, information technology (IT) was the weakest performer as the segment continued its global correction which began in 2021. Real estate and financials also struggled over the quarter. Relatively better performance meanwhile was seen in more defensive sectors, such as utilities and healthcare.

Outlook

Corporate earnings growth in Australia remains reasonably strong, with earnings and dividends still growing, though at a slightly reduced rate. Cost pressures however are impacting businesses and, in many cases, are being passed onto the customer. The broader economy exhibits strong employment levels and terms of trade, however consumers' ability to spend is falling as interest rates rise. Like overseas markets, inflation remains a prime concern, reflected by a hawkish RBA. The downturn in housing is also a concern for equity markets as interest rates rise. Longer-term, we believe the market will continue its upwards path, with volatility in the shorter-term likely to provide opportunities along the way.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP1005AU**
Flexible Lifetime - Investments (Series 2)	AMP1411AU**
SignatureSuper	AMP0951AU
SignatureSuper - Allocated Pension	AMP1147AU
SignatureSuper Term Pension	AMP1147AU

**Closed to new and existing investors

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