

# Specialist Australian Small Companies

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au/performance)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	7.89
Australian Shares	81.12
Listed Property and Infrastructure	2.20
Cash	8.79

<b>Sector Allocation</b>	<b>%</b>
Consumer Discretionary	19.83
Information Technology	12.55
Materials	11.02
Industrials	9.86
Cash	8.80
Financials	7.96
Energy	7.96
Health Care	7.61
Communication Services	6.43
Consumer Staples	5.42
Real Estate	2.56

<b>Top Holdings</b>	<b>%</b>
Technology One Ltd	2.63
Integral Diagnostics Ltd	2.12
Elders Ltd	2.06
Collins Foods Ltd	1.96
Eagers Automotive Ltd	1.94
Navigator Global Investments L	1.79
New Hope Corp Ltd	1.78
Lifestyle Communities Ltd	1.77
Life360 Inc	1.69
PSC Insurance Group Ltd	1.66

## Fund Performance

The Fund posted a positive return and comfortably outperformed its benchmark over the September quarter. There was significant divergence in returns in the Fund's underlying managers, with two of the Fund's four managers gaining ground. Eiger was the standout performer and Elly Griffiths also added significant value with each also exceeding the benchmark return. The Fund continues to 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 as well as stock selection contributed to relative returns. Regarding sector allocation, most of the Fund's positions enhanced returns, with the main contributors being the underweight exposure to real estate and overweight positions in energy (the best performing sector during the period) and industrials. There were no material detractors.

Turning to stock selection, the Fund's positions in all sectors contributed except for exposures within health care and industrials. Stocks held in materials accounted for most of the outperformance, with IT, real estate, financials and communication services stocks also adding to relative returns.

The largest individual contributor to relative performance was the nil position in lithium and tin explorer AVZ Minerals (-100%), with the extended ongoing voluntary share trading halt relating to its mining and exploration rights for the Manono Lithium and Tin Project in the Congo also seeing its removal from the ASX300 market index. Other major contributors included stellar performers lithium and tantalite miner Pilbara Minerals (+99%) and location-based service provider Life360 (+74%).

The largest individual detractor from relative performance was the underweight position in Liontown Resources. The lithium producer (+41%) saw its share price continue to be buoyed by the ongoing demand for battery minerals required for electric vehicles. Other detractors included overweight positions in financials services and tech provider IRESS (-21%) and remote site aviation service provider Alliance Aviation Services (-13%).

## Market Review

Australian shares rose through the first half of the September quarter, before pulling back by the end of the period, to finish up by just 0.4%, as measured by the S&P/ASX 200 index (on a total return basis). Dividends were responsible for the positive return, as on a price basis the market was in the red. Earlier in the quarter, optimism grew on hopes the RBA, along with other central banks, may not have to be quite as hawkish as expected, given some evidence inflation may be near a peak. While earnings reports in August showed reasonable earnings growth, outlooks from companies unsurprisingly called out cost pressures as a headwind in the difficult climate. Sentiment then waned through the latter stages of the quarter, as central banks overseas reaffirmed hawkish stances and resolve to prioritise addressing high inflation. In regard to sector performance, energy was the standout performer amid continued price rises, while the interest rate-sensitive utilities and real estate sectors performed poorly.

## Outlook

Corporate earnings growth in Australia remains reasonable, though should be considered in real terms, given the ongoing high levels of inflation. Businesses remain focussed on cost pressures, which in many cases are being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is gradually coming under more pressure amid continued rate hikes from the Reserve Bank of Australia (RBA). Meanwhile, the sharp downturn in Australian residential housing, where valuations remain very high despite recent falls, may continue for some time yet as interest rates normalise. However, the RBA has started slowing the pace of hikes in the last meeting, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe the Australian shares will continue to rise, with volatility in the shorter-term likely to provide more opportunities.

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## 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

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



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