

Specialist Australian Small Companies

Quarterly Investment Option Update

31 December 2023

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 |
| Standard Risk Measure | 7/Very High |
| Investment style | Active |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|-------------------------|----------------------|
| Australian shares | 100 |
| Cash | 0 |

| Actual Allocation | % |
|--------------------------|----------|
| Global Shares | 10.52 |
| Australian Shares | 84.34 |
| Property | 2.45 |
| Cash | 2.69 |

| Sector Allocation | % |
|--------------------------|----------|
| Consumer Discretionary | 19.14 |
| Industrials | 14.91 |
| Materials | 13.01 |
| Information Technology | 12.49 |
| Energy | 9.22 |
| Financials | 9.10 |
| Health Care | 7.44 |
| Communication Services | 6.23 |
| Consumer Staples | 3.30 |
| Cash | 2.69 |
| Real Estate | 2.45 |

| Top Holdings | % |
|--------------------------------|----------|
| ARB Corp Ltd | 2.44 |
| Auckland International Airport | 2.23 |
| Eagers Automotive Ltd | 2.09 |
| Johns Lyng Group Ltd | 1.97 |
| IRESS Ltd | 1.91 |
| Capricorn Metals Ltd | 1.88 |
| Life360 Inc | 1.78 |
| Paladin Energy Ltd | 1.70 |
| New Hope Corp Ltd | 1.64 |
| Genesis Minerals Ltd | 1.61 |

Fund Performance

The Fund posted a strong positive return, however underperformed its benchmark over the December quarter, in a period when small companies marginally outperformed their larger counterparts overall. There was significant divergence in the Fund's underlying managers' returns. Two of the four managers delivered double-digit returns and outperformed the benchmark, led by Spheria and Eley Griffiths. However Eiger lost ground and Perennial was also a drag on the Fund returns. The Fund continues to outperform its benchmark over the longer term, including over 5 years, and since inception.

Sector allocation was the primary detractor from relative returns, whilst stock selection was broadly neutral during the period. Regarding sector allocation, the main positions which hampered returns were the underweight exposures to real estate and overweight position in energy, with the Fund's cash position also detracting in a strongly rising market. There were no material contributing positions at a sector level.

Turning to stock selection, positions in materials and IT added value. On the flipside, the Fund's health care stock positions accounted for most of the underperformance, with financials and energy also detracting.

The largest individual contributor to relative performance was the overweight position in financial services software company IRESS (+40%), which rebounded after providing an update on its turnaround strategy. The market welcomed the company's healthier balance sheet and improving topline trends within its core wealth and trading software offerings. Other major contributors included overweight positions in financial services administration services provider Link Administration Holdings (+58%) and media and entertainment company ARN Media (+43%).

The largest individual detractor from relative performance was the underweight position in neurological disorders biotech company Neuren Pharmaceuticals (+126%), which soared on news that it had encouraging results from its latest phase of clinical drug trials. Other detractors included overweight positions in medical diagnostics provider Integral Diagnostics (-34%) and oil and gas company Karoon Energy (-22%).

Market Review

Driven by a surge in global equities on the back of normalising inflation levels in Europe and the US, Australian shares finished the December quarter up by 8.4%, as measured by the ASX200 total return index. Market sentiment took a pronounced positive turn mid-quarter, as Australian equities began to price in a global soft-landing scenario, along with expectations for falling global interest rates in the coming months. This was despite continued weak domestic economic indicators, such as low levels of disposable income, poor consumer confidence, negative economic growth per-capita and moderately rising unemployment.

Outlook

Corporate earnings in Australia remain reasonable, though should be considered in real terms, given ongoing inflation. Businesses remain focussed on cost pressures, which are generally being passed onto customers. While the economic climate remains difficult, the stability of Australian earnings and dividends over the long-term, and their ability to generate a growing, tax effective income stream should be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for greater returns.

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 investors

**Closed to new and existing investors

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