

# Specialist Australian Small Companies

Quarterly Investment Option Update

30 June 2019

## 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](http://www.amp.com.au)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	10.69
Australian Shares	78.64
Listed Property and Infrastructure	5.41
Cash	5.27

Sector Allocation	%
Materials	17.43
Consumer Discretionary	17.06
Industrials	12.67
Information Technology	11.61
Financials	8.30
Health Care	8.20
Real Estate	5.55
Cash	5.27
Communication Services	4.48
Consumer Staples	4.30
Energy	3.51
Utilities	1.62

Top Holdings	%
Bapcor Ltd	2.55
NEXTDC Ltd	2.32
Steadfast Group Ltd	2.21
Collins Foods Ltd	2.15
Technology One Ltd	2.12
Integral Diagnostics Ltd	2.06
Mineral Resources Ltd	2.05
Ingenia Communities Group	1.91
Auckland International Airport	1.91
ARB Corp Ltd	1.87

## Fund Performance

Following the decision by UBS Asset Management to close its small companies strategy, the Fund's underlying manager line-up was changed during the June quarter. Eiger Capital and Spheria Asset Management were appointed to replace UBS Asset Management, and to accommodate these additional managers, the mandates of Perennial Value and Eley Griffiths were reduced.

The Fund posted a positive absolute return and strongly outperformed its benchmark (before fees) over the June quarter. Three of the Fund's four underlying managers delivered positive absolute returns and outperformed the benchmark over the period. Perennial Value was the key driver of outperformance, followed by Eley Griffiths and Eiger Capital. The Fund also continues to significantly outperform its benchmark over the longer term, including over 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Both sector allocation and stock selection contributed positively to relative performance over the period. Regarding sector allocation, the main contributors to relative performance were an overweight position in industrials and underweight positions in consumer staples and energy. The main detractor was an underweight position in energy. Cash held was also a significant detractor from relative performance.

Regarding stock selection, financials, materials and real estate were the main contributors to relative performance, while communication services and health care were the main detractors. The main individual contributor to relative performance was an overweight position in pharmaceutical company Starpharma Holdings. The company surged (+42.4%) after announcing that its VivaGel BV product, a non-antibiotic therapy for treatment of a common bacterial condition affecting women, had launched in Australia. Other positive contributors included overweight positions in financial technology company Credible Labs and engineering company SRG Global, which soared (+60.5% and +62.3% respectively) over the period.

The main individual detractor from relative performance was an underweight position in health insurance company NIB Holdings. The company rallied (+42.4%) after the re-election of the Coalition government, as the Coalition is more likely than Labor to encourage Australians to take up private health insurance. Other detractors included an overweight position aged-care provider Summerset Group which fell (-17.1%), and an underweight position in pharmaceutical company Polyvovo, which rocketed (+105.3%) over the period.

## Market Review

Australian equities surged in the June quarter, the S&P/ASX200 total return index finishing up by 7.97%. Speculation of official interest rate cuts drove markets early in the quarter, despite uncertainty around the Federal Election and ongoing housing market falls. In May, the market was pushed higher on the Coalition's "surprise" election victory, which removed risks around changes to the use of franking credits, which are particularly important to many Australian investors. Comments from the RBA continued to grow more dovish, culminating in a rate cut in early June to a historically low 1.25%. This, along with the possibility of further cuts, spurred on Australian markets through the remainder of June. Communication services, financials and health care were top performers over the quarter, while energy and utilities stocks were generally behind the pack.

## Outlook

Australian shares remain exposed to global economic uncertainty, despite the greater visibility imparted by the recent return of the Liberal Coalition to government. Much of this uncertainty is outside the Australian government's control.

The Reserve Bank of Australia cut the cash rate to an historically low 1.25% in early June, with communications suggesting further likely reductions, which is positive for equities and should feed into earnings. However, looking ahead, generally higher valuations and increased global economic uncertainty have increased the shorter-term downside risk. However, this does not mean momentum cannot carry the market higher.

In the current environment, investors should benefit by being highly selective and focussing on companies with robust business fundamentals.

## Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0863AU
AMP Flexible Super - Retirement account	AMP1347AU
AMP Flexible Super - Super account	AMP1476AU
CustomSuper	AMP0863AU
Flexible Lifetime - Allocated Pension	AMP0879AU
Flexible Lifetime - Investments (Series 1)	AMP1005AU*
Flexible Lifetime - Investments (Series 2)	AMP1411AU
Flexible Lifetime - Term Pension	AMP0933AU
SignatureSuper	AMP0951AU
SignatureSuper - Allocated Pension	AMP1147AU
SignatureSuper Select	AMP0951AU

\*Closed to new investors

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