

Multi-Manager Australian Small Companies

Quarterly Investment Option Update

31 March 2022

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	100.00

Sector Allocation	%
Consumer Discretionary	22.26
Materials	14.62
Information Technology	11.54
Industrials	11.04
Financials	8.76
Communication Services	8.08
Health Care	7.98
Energy	4.30
Consumer Staples	4.27
Cash	4.13
Real Estate	3.02

Top Holdings	%
Technology One Ltd	2.50
Flight Centre Travel Group Ltd	2.42
Integral Diagnostics Ltd	2.37
Eagers Automotive Ltd	2.23
Johns Lyng Group Ltd	1.85
IRESS Ltd	1.80
Alliance Aviation Services Ltd	1.64
Collins Foods Ltd	1.60
Navigator Global Investments L	1.52
ARB Corp Ltd	1.48

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the March quarter. All four of the Fund's underlying managers lost ground and two outperformed the benchmark, led by Spheria and 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.)

Sector allocation as well as stock selection detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were underweight exposures to materials and energy (which rallied significantly) and an overweight exposure to consumer discretionary. The main contributors were an underweight exposure to financials and overweight to industrials.

Regarding stock selection, the main detractors from relative returns were positions in energy and materials, while the main contributors were positions in health care and financials stocks.

The largest individual detractor from relative performance was the nil position in Whitehaven Coal. The coal miner (+63%) saw its share price soar as stronger commodity prices were underpinned by supply concerns for thermal coal with the imposition of sanctions on Russia after its invasion of Ukraine. Other detractors included overweight positions in apparel retailer City Chic Collective (-38%) and workforce productivity software supplier Nitro Software (-38%) which also fell over the period.

The largest individual contributor to relative performance was the nil position in Zip Co (-66%). Shares in the online buy-now, pay-later (BNPL) provider fell alongside peer technology companies during the period and following the company's deal to take over rival Sezzle, which requires part funding from a share placement (at a discount) and share purchase plan. Other positive contributors included an overweight position in specialist construction, maintenance, and mining services group SRG Global (+30%) and the nil position in battery materials and technology company NOVONIX (-33%).

Market Review

Australian shares bucked global falls to post a gain of 2.24% in the March quarter, as measured by the S&P/ASX 200 index on a total return basis. The relative optimism in Australia reflects several factors at play. Inflation, whilst a real and growing issue in Australia, remains somewhat lower relative to global levels, with the RBA accordingly not as hawkish as many global central banks. Geographic isolation and lack of any significant economic ties to Russia was also a prime differentiator to global markets, with Australia benefitting from continued strong commodity prices by way of a strengthening terms of trade. The quarter also saw Australia begin to catch up to many global peers on further easing of COVID restrictions, though we remain behind most of Europe and the US in this regard. Domestic corporate earnings reports were also generally strong, as reflected in the February reporting season, with dividends remaining strong and outlook statements becoming clearer. At a sector level, energy was by far the standout performer, returning a remarkable 28.55% for the period as commodity prices surged. Defensive sectors, as well as those businesses seen as more sensitive to interest rates, were generally the weaker performers.

Outlook

Corporate earnings growth in Australia remains quite solid, with earnings and dividends still growing, though at a slightly reduced rate relative to the bounce-back in 2021. The broader economy also remains generally solid, with strong employment levels and terms of trade. The COVID pandemic meanwhile appears to be finally moving into a phase of being treated as an endemic issue, rather than a continued emergency requiring ongoing restrictions. Similar to other countries, domestic inflation remains a prime concern, with the RBA likely to cautiously raise rates over the medium-term, as it keeps a close eye on wages growth and the jobs market. Longer-term, we believe the market will ultimately continue to rise, with corrections and volatility on the way likely to provide opportunities.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0019AU**
Flexible Lifetime - Investments (Series 2)	AMP1398AU**
SignatureSuper	AMP1458AU*
SignatureSuper - Allocated Pension	AMP1329AU*
SignatureSuper Term Pension	AMP1329AU*

*Closed to new investors

**Closed to new and existing investors

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