

# Specialist Australian Small Companies

Quarterly Investment Option Update

30 June 2024

## 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>Standard Risk Measure</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>
Global Shares	12.17
Australian Shares	79.12
Property	2.65
Cash	6.06

<b>Sector Allocation</b>	<b>%</b>
Consumer Discretionary	18.60
Information Technology	12.95
Industrials	12.13
Health Care	10.95
Financials	10.38
Materials	9.32
Energy	7.93
Cash	6.06
Communication Services	5.92
Consumer Staples	3.11
Real Estate	2.65

<b>Top Holdings</b>	<b>%</b>
Life360 Inc	2.48
Telix Pharmaceuticals Ltd	2.15
Auckland International Airport	2.13
AUB Group Ltd	2.13
Webjet Ltd	2.10
Johns Lyng Group Ltd	1.89
ARB Corp Ltd	1.73
Technology One Ltd	1.62
Genesis Minerals Ltd	1.62
New Hope Corp Ltd	1.56

## Fund Performance

The Investment Option lost good ground however comfortably outperformed its benchmark over the June quarter, in a period when small companies lagged their larger counterparts overall. Over longer time periods, it comfortably outperformed the benchmark over the financial year to 30 June 2024 and continues to outperform its benchmark over the longer term, including over 3 and 5 years, and since inception. There was significant divergence in underlying managers' returns during the quarter. One of the four managers delivered a positive return and Perennial, Eiger and Eley Griffiths outperformed the benchmark. However, after performing strongly in prior years, Spheria was a drag on relative returns.

Stock selection was the primary driver of relative returns, with sector allocation also contributing during the period. Regarding stock selection, positions in IT, financials and consumer discretionary contributed the most. On the flipside, stock positions in materials, industrials and communication services were the main laggards.

Turning to sector allocation, the main positions which contributed to returns were the overweight exposure to health care and underweight position in real estate, with the cash position also a positive in a weaker market. The overweight exposure to consumer discretionary was the main detractor from a sector perspective.

The largest individual contributor to relative performance was the overweight position in cyber security company Qoria (+48%), which soared following a takeover offer early in the period (which it subsequently rejected) as well as the company's announcement of strong results for the latest quarter. Other major contributors included overweight positions in medication management application software MedAdvisor (+83%) and funds manager Navigator Global Investments (+22%).

The largest individual detractor from relative performance was the nil holding in alumina and bauxite producer Alumina (+19%), which was buoyed after joint venture partner Alcoa amended its takeover bid for the company to gain the support of its largest shareholder. Other detractors included the overweight positions in vehicle dealership Eagers Automotive (-26%) and apparel retailer City Chic Collective (-62%).

## Market Review

Australian shares pulled back by around 1.1% in the June quarter as measured by the ASX200 total return index, underperforming their international counterparts, which generally rose strongly. A rising degree of pessimistic sentiment around the domestic economy impacted the market, as did the materials sector, which pulled back on lower, though stabilising iron ore prices. Higher than expected monthly inflation data also weighed, particularly given Australian households' greater sensitivity to interest rate changes. Amid ongoing speculation on whether a further rate rise will be required from the RBA, utilities were the top performing sector for the period. Financials also produced a solid return, though most other sectors were negative.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience. Businesses meanwhile remain focussed on containing costs. While the low-growth economic environment 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 higher returns.

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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 investors

\*\*Closed to new and existing investors

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