

# Specialist Australian Small Companies

Quarterly Investment Option Update

31 December 2024

## Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and costs 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 primarily 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.

## 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     |

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

| Actual Allocation | %     |
|-------------------|-------|
| Global Shares     | 15.46 |
| Australian Shares | 73.92 |
| Property          | 3.94  |
| Cash              | 6.67  |

| Sector Allocation      | %     |
|------------------------|-------|
| Financials             | 16.42 |
| Consumer Discretionary | 14.49 |
| Information Technology | 12.91 |
| Health Care            | 11.27 |
| Materials              | 10.78 |
| Industrials            | 10.66 |
| Communication Services | 6.92  |
| Cash                   | 6.67  |
| Energy                 | 4.17  |
| Real Estate            | 3.94  |
| Consumer Staples       | 1.76  |

| Top Holdings                   | %    |
|--------------------------------|------|
| AUB Group Ltd                  | 3.06 |
| Life360 Inc                    | 3.03 |
| News Corp                      | 2.87 |
| Zip Co Ltd                     | 2.80 |
| Netwealth Group Ltd            | 2.64 |
| Auckland International Airport | 2.59 |
| New Hope Corp Ltd              | 2.54 |
| Technology One Ltd             | 2.39 |
| Infratil Ltd                   | 2.34 |
| Integral Diagnostics Ltd       | 1.88 |

## Fund Performance

The Investment Option lost ground and underperformed its benchmark over the December quarter, in a period when small companies lagged their larger counterparts overall. Over longer time periods, the Investment Option continues to outperform its benchmark, including over 5 years, and since inception. There was significant divergence in underlying managers' returns during the quarter. One of the three managers delivered a positive return, with Spheria and Eiger also outperforming the benchmark.

Sector allocation added value on a relative basis, whereas stock selection detracted overall. The main exposure that contributed to the Investment Option's returns at a sector level was the large underweight position in real estate, with overweight exposures to health care and IT also benefitting performance. On the flipside, the Investment Option's overweight position in consumer discretionary was the primary detractor.

Regarding stock selection, positions in health care, financials and IT hampered relative returns the most. This outweighed the performance from the positions in industrials, materials and consumer discretionary which were the primary contributors.

The largest individual contributor to relative performance was the overweight position in specialist business software provider Technology One (+32%), which continued to perform well after delivering solid results underpinned by healthy revenue growth which is supported by its operations in more defensive sectors such as education and government. Other major contributors included overweight positions in wealth management software provider Bravura Solutions (+64%) and biopharmaceutical company Telix Pharmaceuticals (+19%).

The largest individual detractor from relative performance was the nil position in regenerative biotech company Mesoblast (+165%), which recorded the best performance in the small companies index during the quarter and soared after news it has received approval for Ryoncil, which is a stem cell treatment for rejection following a bone marrow transplant. Other detractors included the nil position in lithium producer Arcadium Lithium (+87%) and the overweight holding in specialist IT solutions company DUG Technology (-45%).

## Market Review

Australian shares closed the December quarter down by 0.8%, as measured by the ASX200 total return index, lagging international counterparts. Market sentiment oscillated throughout the period, with shares initially pulling back in October driven by a weak global lead and falls in key commodities, before rising strongly in November on the back of the US election results, then retreating again in December amid continued weak economic growth and sticky domestic inflation. Materials and real estate were the weakest performing sectors, while financials and industrials outperformed. The Australian economy has been somewhat behind the ball relative to many developed peers, with interest rates having not been cut in 2024 due to comparatively higher underlying inflation and despite lacklustre GDP growth - particularly on a per capita basis. Signs inflation is finally approaching target levels however are now emerging.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience, though forward looking earnings expectations have fallen slightly in recent months. Generally, containing costs remains a priority over more aggressive targeting of top line growth. 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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