

# Specialist Australian Small Companies

Quarterly Investment Option Update

31 December 2022

## 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

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
Global Shares	8.60
Australian Shares	84.23
Listed Property and Infrastructure	1.71
Cash	5.46

Sector Allocation	%
Consumer Discretionary	19.18
Information Technology	13.45
Materials	11.81
Industrials	10.37
Financials	10.30
Energy	8.27
Communication Services	7.07
Health Care	6.63
Cash	5.46
Consumer Staples	4.88
Real Estate	2.59

Top Holdings	%
Technology One Ltd	2.60
Karoon Energy Ltd	2.17
Navigator Global Investments L	1.83
Auckland International Airport	1.72
Nitro Software Ltd	1.64
PSC Insurance Group Ltd	1.64
New Hope Corp Ltd	1.59
Eagers Automotive Ltd	1.56
Capricorn Metals Ltd	1.56
Elders Ltd	1.47

## Fund Performance

The Fund posted a positive return and underperformed its benchmark over the December quarter. There was significant divergence in the Fund's underlying managers' performance. All four managers gained ground as well as underperforming the benchmark return, with Eiger and Elly Griffiths faring the best on a relative basis. The Fund continues to outperform its benchmark over the longer term, including over 3 and 5 years, and since inception.

Sector allocation as well as stock selection hampered the relative returns during the period. Regarding sector allocation, the main detractors were the underweight exposures to materials and real estate and overweight position in IT. The main contributor was an underweight exposure to financials.

Turning to stock selection, the Fund's positions in most sectors detracted from returns, with positions in consumer discretionary, health care and communication services accounting for most of the underperformance. On the flipside, IT stock positions were strong contributors.

The largest individual contributor to relative performance was the overweight holding in workforce productivity software supplier Nitro Software (+38%), which saw its share price surge following a takeover bid by Potentia Capital which then drew a high counter-bid from KKR-owned US productivity company Alludo. Other major contributors included nil positions in lithium producer ioneer Ltd (-40%) and investment manager Magellan Financial Group (-21%).

The largest individual detractor from relative performance was the overweight holding in gas producer Cooper Energy (-27%). The company's share price came under pressure alongside others in the local gas industry after the government passed legislation imposing temporary price caps on gas and coal in response to soaring gas prices. Other detractors included an overweight position in apparel retailer City Chic Collective (-63%) and a nil position in gold miner Perseus Mining (+39%).

## Market Review

Similar to global peers, Australian shares rose strongly over the December quarter, finishing the period up by 9.4%. The bulk of the gains were made in October and November, as markets rose on optimism that inflation may be pulling back overseas, particularly in the US, while many central banks, including the RBA, reduced the increments of monetary tightening. December however saw some falls, as markets appeared to have become perhaps a little ahead of themselves with regard an improving inflationary outlook, amid a realisation that interest rates may still be higher for some time yet. Australia appears to be around 6 months behind the US with regard to the path of inflation, though of course, there is no guarantee how closely this path will be followed. The domestic earnings season also featured during the quarter, and while current period profits were generally reasonable, a number of companies lowered their earnings forecasts amid rising costs. Regarding specific sector returns, utilities and materials were the strongest performers, though all sectors produced positive returns for the period.

## Outlook

Corporate earnings growth in Australia remains reasonable, though should be considered in real terms, given the ongoing high levels of inflation. Businesses remain focussed on cost pressures, which are generally being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is being crimped amid continued rate hikes. The RBA however has slowed the pace of hikes, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe Australian shares will continue to rise, with volatility in the shorter-term likely to provide more opportunities.

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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 and existing investors

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