

# Specialist Australian Small Companies

Quarterly Investment Option Update

31 March 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

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
Global Shares	12.85
Australian Shares	78.36
Property	2.79
Cash	6.00

Sector Allocation	%
Consumer Discretionary	19.58
Information Technology	13.07
Industrials	12.68
Materials	10.76
Health Care	9.08
Financials	8.78
Energy	8.25
Cash	6.00
Communication Services	5.56
Consumer Staples	3.45
Real Estate	2.79

Top Holdings	%
Life360 Inc	2.21
Auckland International Airport	2.18
Paladin Energy Ltd	2.04
Johns Lyng Group Ltd	2.03
Eagers Automotive Ltd	2.02
ARB Corp Ltd	1.85
Telix Pharmaceuticals Ltd	1.69
Technology One Ltd	1.57
PSC Insurance Group Ltd	1.53
Adbri Ltd	1.49

## Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the March quarter, in a period when small companies outperformed their larger counterparts overall. There was significant divergence in the Fund's underlying managers' returns. Two of the four managers delivered double-digit returns, led by Perennial and Eley Griffiths and alongside Eiger also outperformed the benchmark. However, after performing strongly in the prior quarter, Spheria was a drag on relative returns. The Fund continues to outperform its benchmark over the longer term, including over 5 years, and since inception.

Sector allocation was the primary driver of relative returns, whilst stock selection was broadly neutral during the period. Regarding sector allocation, the main positions which contributed to returns were the overweight exposure to IT and underweight position in materials, with the Fund's cash position the main detractor in a strongly rising market.

Turning to stock selection, positions in energy and health care added most value. On the flipside, the Fund's stock positions in consumer discretionary and industrials were the main laggards.

The largest individual contributor to relative performance was the overweight position in US-based locations-based IT company Life360 (+73%), which was buoyed by the company's announcement of its intention to sell advertising to its sizeable free user base in addition to strong growth in its full year accounts. Other major contributors included overweight positions in telecommunications and internet services provider Superloop (+93%) and gas producer Cooper Energy (+69%).

The largest individual detractor from relative performance was the nil holding in IT networking company Megaport (+63%), which soared after the company's latest quarterly update which showed strong cash flow as well as increased revenue on the back of ongoing growth in customers and business overall across all regional markets. Other detractors included an overweight position in medical technology specialist ImpediMed (-36%) and the nil holding in 'buy now pay later' fintech company Zip Co (+119%).

## Market Review

Australian shares reached new highs in the March quarter, closing the period up by 5.3% as measured by the ASX200 total return index. Optimism from international markets drove positive sentiment, particularly the US, where economic growth remained positive and inflation fell further. The February Australian corporate reporting season meanwhile was generally somewhat favourable relative to expectations, with more upside earnings surprises than downside. Key themes included resilient earnings, a continued focus on cost management and cautiously positive outlook statements based on improving economic outlooks. The Australian economy meanwhile continued to show modest GDP growth, albeit falling on a per capita basis due to high levels of immigration. Consumer sentiment remained weak, though employment figures showed signs of improvement.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience. Businesses remain focussed on cost pressures, though there are signs the cost-cutting cycle may have peaked. 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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