

Specialist Australian Small Companies

Quarterly Investment Option Update

30 September 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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
Global Shares	12.96
Australian Shares	78.23
Property	4.04
Cash	4.77

Sector Allocation	%
Consumer Discretionary	20.49
Information Technology	13.48
Financials	13.12
Industrials	10.44
Health Care	10.17
Materials	9.45
Energy	5.98
Communication Services	4.97
Cash	4.77
Real Estate	4.04
Consumer Staples	3.09

Top Holdings	%
Life360 Inc	2.76
Breville Group Ltd	2.40
ARB Corp Ltd	2.13
Auckland International Airport	2.12
AUB Group Ltd	1.91
Genesis Minerals Ltd	1.90
WEB Travel Group Ltd	1.66
New Hope Corp Ltd	1.65
IRESS Ltd	1.64
Technology One Ltd	1.64

Fund Performance

The Investment Option gained ground however it underperformed its benchmark over the September 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. All of the four managers delivered a positive return, with Spheria and Eley Griffiths also outperforming the benchmark.

Sector allocation was the primary detractor from relative returns, whereas stock selection contributed. The main exposure that hampered the Investment Option's returns at a sector level was the overweight position to energy, which was the only sector to lose ground during the period. The large underweight to real estate as well as the Investment Option's cash holdings also detracted. There were no material contributors from a sector positioning perspective.

Regarding stock selection, positions in health care, IT and consumer discretionary contributed the most. On the flipside, stock positions in financials, materials and industrials were the main laggards.

The largest individual contributor to relative performance was the overweight position in premium youth fashion retailer Universal Store Holdings (+55%), which soared after the company announced its latest annual results that showed accelerating sales performance, with management providing further detail around strong margin execution and plans for further store rollouts. Other major contributors included overweight positions in oncology biotech company Clarity Pharmaceuticals (+54%) and specialist business software provider Technology One (+28%).

The largest individual detractor from relative performance was the overweight position in building services provider Johns Lyng (-34%), which suffered after announcing annual results that fell short of its previous guidance - on the back of stalling growth in their US business – coupled with management's outlook for the current fiscal year which appeared soft. Other detractors included the underweight exposure to diversified retailer Super Retail Group (+37%) and the nil holding in essential infrastructure services provider Ventia Services Group (+21%).

Market Review

Australian shares rose strongly in the September quarter, closing up by around 7.8%, as measured by the ASX200 total return index and outperforming international counterparts. Gains were driven by broader global markets, on the back of optimism around a global soft landing scenario. Australia however remained behind many other developed economies' interest rate easing cycles, with relatively higher domestic inflation keeping any potential easing at bay, as at the quarter's end. In regard to sector-specific performance, IT, real estate, materials and consumer discretionary all did well, whilst energy was the main laggard.

Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience, though forward looking earnings growth 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.

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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