

Multi-Manager Australian Small Companies

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, higher than the return from the S&P/ASX Small Ordinaries Accumulation Index on a rolling three-year basis. The portfolio invests in small companies listed on the 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 each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
Australian Shares	100.08

Sector Allocation	%
Consumer Discretionary	18.85
Materials	16.71
Industrials	13.51
Information Technology	12.42
Health Care	9.98
Financials	7.47
Consumer Staples	6.98
Communication Services	5.54
Real Estate	4.94
Cash	2.69
Energy	0.91

Top Holdings	%
Seven Group Holdings Ltd	2.59
Steadfast Group Ltd	2.13
Ingenia Communities Group	2.10
Collins Foods Ltd	2.09
City Chic Collective Ltd	2.07
Technology One Ltd	2.05
NEXTDC Ltd	1.80
Adbri Ltd	1.71
Integral Diagnostics Ltd	1.69
Adairs Ltd	1.66

Fund Performance

The Fund posted a very strong positive absolute return and outperformed its benchmark over the June quarter (before fees). All four of the Fund's underlying managers posted strong positive absolute returns. Perennial was the best performing manager, followed by Eiger Capital which also outperformed the benchmark, while Elly Griffiths and Spheria underperformed the benchmark. The Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception (annualised). (All returns are before fees.)

Stock selection was the main driver of the outperformance, while sector allocation modestly detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were a cash holding and an underweight exposure to materials, which were largely counterbalanced by the largest contributors which were an underweight exposure to real estate and an overweight exposure to consumer discretionary.

Regarding stock selection, the main contributors to relative returns were positions in consumer discretionary and material stocks, while the main detractors were positions in information technology and financial stocks.

The largest individual contributor to relative performance was an overweight position in Adairs. The homewares retailer soared (+155.6%) after reporting a significant increase in online and in-store sales as COVID-19 lockdowns led consumers to focus more on their homes. Other positive contributors included an overweight position in clothing company City Chic Collective which rallied strongly (+81.3%) and online print-on-demand service provider Redbubble which surged higher (+249.2%) over the period.

The largest individual detractor from relative performance was an overweight position in iSignthis. The financial services company, and the ASX, provided additional information which led us to write down the value of the company (-100.0%) although it remains suspended from trading. Other detractors included overweight positions in investment management services company Navigator Global Investments which dropped (-48.5%) and diversified food producer Freedom Foods Group which fell (-31.9%) before its shares were suspended during the period.

Market Review

In line with broader global markets, Australian shares recorded an extremely strong June quarter, as stocks rebounded from their lows experienced at the height of the COVID-19 related market panic in late March. The market finished the quarter up by 16.5%, as measured by the S&P/ASX 200 index on a total return basis. The relative success of Australia's COVID-19 containment measures, which saw authorities begin lifting mandatory lockdowns, combined with unprecedented fiscal stimulus drove the market's surge. Later in the quarter, economic indicators, such as business confidence, retail sales and trade figures, appeared to confirm the Australian economy was indeed in recovery mode. Amid all the bullishness, concerns of recent months however remained - and in some cases actually grew - such as tensions with China, potential second waves of infections (particularly in Melbourne), a rising Australian dollar and still most pressingly, COVID-19's effect on company earnings. The standout performer at a sector level was information technology (IT), which rose by a remarkable 48.7% during the period. This small, but fast-growing sector of the Australian economy appears to have benefitted in many ways from the COVID-19 crisis, as changing consumer behaviour and a shift towards online activities has led to increasing tailwinds for many IT businesses. Consistent with a rebound in the economy, defensive sectors underperformed.

Outlook

Australian shares will likely continue to be primarily driven by global markets. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back is already emerging. Australia's greater degree of government stimulus (relative to other countries) should help support Australian shares, though there are some near-term risks, such as souring trade relations with China and a lack of earnings visibility for many companies. Given large price-rises since the March lows, we believe investors should be selective and, as always, keep an eye on the longer-term.

Availability

Product Name	APIR
AMP Flexible Super	AMP1458AU*
AMP Flexible Super - Retirement	AMP1329AU*
CustomSuper	AMP0469AU*
Flexible Lifetime - Allocated Pension	AMP1094AU*
Flexible Lifetime - Investments (Series 1)	AMP0019AU*
Flexible Lifetime - Investments (Series 2)	AMP1398AU*
Flexible Lifetime - Super	AMP0469AU*
Flexible Lifetime - Term Pension	AMP1095AU*

*Closed to new investors

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