

Specialist Australian Small Companies

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the performance benchmark, the S&P/ASX Small Ordinaries Accumulation Index, on a rolling three-year basis. 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 each product, please visit www.amp.com.au/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	8.33
Australian Shares	84.03
Listed Property and Infrastructure	3.44
Cash	4.19

Sector Allocation	%
Consumer Discretionary	22.52
Materials	14.33
Industrials	13.41
Information Technology	11.03
Health Care	8.71
Financials	7.54
Communication Services	7.01
Real Estate	5.15
Cash	4.19
Consumer Staples	4.15
Energy	1.94

Top Holdings	%
City Chic Collective Ltd	2.50
Technology One Ltd	2.23
Integral Diagnostics Ltd	2.16
Eagers Automotive Ltd	2.06
ARB Corp Ltd	2.03
Ingenia Communities Group	1.95
Pilbara Minerals Ltd	1.92
Johns Lyng Group Ltd	1.83
Fletcher Building Ltd	1.78
Bapcor Ltd	1.78

Fund Performance

The Fund posted a strong positive return, but slightly underperformed its benchmark over the June quarter. All four of the Fund's underlying managers posted strong positive returns and Elly Griffiths, Perennial and Spheria outperformed the benchmark. The Fund continues to significantly outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception. (All returns are before fees.)

Stock selection was the driver of the outperformance, while sector allocation detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were an overweight exposure to industrials and underweight exposures to financials and materials. The cash holding also detracted from relative returns as the market rallied. The main contributor was an underweight exposure to consumer staples.

Regarding stock selection, the main contributors to relative returns were positions in industrials, consumer discretionary, information technology and real estate stocks, while the main detractors were positions in health care and energy stocks.

The largest individual contributor to relative performance was an overweight position in City Chic Collective. The plus-size women's clothing retailer soared (+37.9%) as it continues to benefit from its significant online presence throughout the pandemic period. The company is also benefitting from its growing international presence, after it made some strategic acquisitions in the US and UK late last year. Other positive contributors included overweight positions in building services company Johns Lyng Group which rallied (+32.1%) and online consumer credit business MoneyMe which shot higher (+62.3%) over the period.

The largest individual detractor from relative performance was an underweight position in Whitehaven Coal. The coal miner gained (+9.9%) despite production issues at its Narrabri operation, as coal prices surged towards all-time highs. It was also supported by several broker upgrades. Other detractors included an underweight position in connectivity software provider Megaport which soared (+66.2%), and an overweight position in travel agency company Flight Centre which fell (-17.5%) over the period.

Market Review

In line with bullish international markets, Australian shares rose strongly over the June quarter, with the S&P/ASX 200 index closing the period 8.29% higher, on a total return basis. While the global recovery was the prime driver, the Reserve Bank of Australia (RBA) continued to play its part, as it again reiterated its commitment to low cash rates for as long as necessary. Domestic economic indicators, such as jobs figures, also remained strong, leading to rising speculation towards the end of the quarter on the timing of future rate hikes. Growth segments of the market generally did well over the quarter as the global economic recovery continued. At a sector level, information technology shares were the strongest performers over the quarter amid stabilising bond yields as well as further merger and acquisition activity. Communications services and consumer discretionary stocks also did well, while the energy and the utilities sectors meanwhile posted negative returns for the period. The market's focus is now clearly on the RBA showing any sign of changing its timeline for rate rises, as well as any tapering of its bond purchases.

Outlook

Australian equities continue to be strongly influenced by global markets and events. The economic backdrop is complicated by shifting policy on vaccine rollout by the Federal Government, most recently by a pivot in rollout emphasis from the AstraZeneca to the Pfizer option, which will push out the herd immunity date as further Pfizer supplies need to be sourced. The risk is that a prolonged rollout period could dent business and consumer confidence which could feed into equity prices in the short term.

Despite this, Australia's greater degree of government stimulus relative to other countries, low COVID-19 cases from an international perspective, and a supportive commodities backdrop do look to be aiding the recovery process. The effect of the wind-down in government support programmes has proved so far to be relatively benign. Although large equity price rises have increased the risk of a correction, we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1347AU
AMP Flexible Super - Super	AMP1476AU
CustomSuper	AMP0863AU
Flexible Lifetime - Allocated Pension	AMP0879AU
Flexible Lifetime - Investments (Series 1)	AMP1005AU**
Flexible Lifetime - Investments (Series 2)	AMP1411AU**
Flexible Lifetime - Super	AMP0863AU
Flexible Lifetime - Term Pension	AMP0933AU
SignatureSuper	AMP0951AU
SignatureSuper - Allocated Pension	AMP1147AU
SignatureSuper Select	AMP0951AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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