

Specialist Australian Small Companies

Quarterly Investment Option Update

30 September 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	7.46
Australian Shares	86.03
Listed Property and Infrastructure	3.24
Cash	3.26

Sector Allocation	%
Consumer Discretionary	26.44
Information Technology	13.06
Industrials	12.17
Materials	11.40
Health Care	8.68
Financials	6.54
Communication Services	6.36
Real Estate	5.29
Consumer Staples	4.34
Cash	3.26
Energy	2.46

Top Holdings	%
Flight Centre Travel Group Ltd	2.72
Technology One Ltd	2.55
City Chic Collective Ltd	2.54
Pilbara Minerals Ltd	2.16
Integral Diagnostics Ltd	2.15
ARB Corp Ltd	2.00
Ingenia Communities Group	1.95
Elders Ltd	1.93
Eagers Automotive Ltd	1.92
Collins Foods Ltd	1.79

Fund Performance

The Fund posted a strong positive return and robustly outperformed its benchmark over the September quarter. All four of the Fund's underlying managers posted strong positive returns and all outperformed the benchmark. Eiger Asset Management posted stellar performance. 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 modestly from relative returns. Regarding sector allocation, the main detractors from relative returns were underweight exposures to real estate and energy, and an overweight exposure to information technology. The main contributors were an underweight exposure to materials and an overweight exposure to consumer discretionary.

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

The largest individual contributor to relative performance was an overweight position in Flight Centre Travel Group. The travel agency climbed (+44.5%) as successful vaccination rollouts in Australia and abroad are expected to shortly lead to the relaxation or removal of travel restrictions in key markets. Other positive contributors included overweight positions in software development company Life360 which rallied (+34.4%), and uranium mining company Paladin Energy which gained (+34.0%) over the period.

The largest individual detractor from relative performance was an underweight (not held) position in Whitehaven Coal. The coal miner rallied (+66.5%) despite releasing weak financial-year 2021 results, as it appeared to pare back earlier losses, and as Chinese thermal coal prices surged to all-time highs. Other detractors included underweight (not held) positions in oil & gas producer Beach Energy which jumped (+41.0%), and emerging lithium-boron producer Ioneer which surged (+80.0%) over the period.

Market Review

Australian shares continued to rise through July and August to new record highs, before pulling back in September in line with global volatility to finish the quarter up by 1.71%, as measured by the S&P/ASX 200 index on a total return basis, with dividends being a major contributor to the index's return. Capital management activity was a feature through the quarter, reflected in announcements of significant dividend increases, buybacks and takeovers. The August reporting season was generally positive, with many companies reporting strong revenue and earnings growth, though outlook statements unsurprisingly remained cloudy in nature as the pandemic continues to play out. Keeping a lid on further optimism however were several lockdowns around the country, which continued to heavily hit employment and growth. During September, share prices were also impacted by broader global concerns such as Chinese growth, volatile commodity prices, solvency concerns for Chinese property developer, China Evergrande Group and US-centred inflationary concerns. On a sector basis performance was quite divergent over the quarter. Energy stocks were strong performers amid soaring energy commodity prices, due to global supply issues. Materials stocks however were weak performers, mainly due to Chinese demand concerns for the medium-term.

Outlook

Australian equities will likely continue to be primarily influenced by global markets, however the economic backdrop is complicated by shifting domestic policy on handling the pandemic amid further lockdowns. While the vaccine rollout has accelerated markedly, Australia remains largely closed-off relative to much of the world and the issue of different attitudes towards reopening between state governments is likely to continue to cause uncertainty.

Despite this, Australia's greater degree of government stimulus relative to other countries and low COVID-19 cases from an international perspective should aid the recovery process, even though it is now taking longer than some originally anticipated. Large equity price rises since the height of the COVID-19 market-panic in early 2020 have likely increased the risk of a correction, though bullish sentiment pulled back somewhat in September, which is positive from a contrarian perspective. Stepping back to a longer-term timeframe, we believe the trend is likely to remain up, though with some bumps on the way, as is usually the case in stock markets. 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

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