

Specialist Australian Small Companies

Quarterly Investment Option Update

31 March 2022

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 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	6.07
Australian Shares	87.29
Listed Property and Infrastructure	2.46
Cash	4.18

Sector Allocation	%
Consumer Discretionary	22.25
Materials	14.61
Information Technology	11.53
Industrials	11.03
Financials	8.75
Communication Services	8.08
Health Care	7.98
Energy	4.29
Consumer Staples	4.26
Cash	4.18
Real Estate	3.02

Top Holdings	%
Technology One Ltd	2.50
Flight Centre Travel Group Ltd	2.42
Integral Diagnostics Ltd	2.37
Eagers Automotive Ltd	2.23
Johns Lyng Group Ltd	1.85
IRESS Ltd	1.80
Alliance Aviation Services Ltd	1.64
Collins Foods Ltd	1.60
Navigator Global Investments L	1.52
ARB Corp Ltd	1.48

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the March quarter. All four of the Fund's underlying managers lost ground and two outperformed the benchmark, led by Spheria and Elly Griffiths Group. Eiger Asset Management lagged, following a prolonged period of 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.)

Sector allocation as well as stock selection detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were underweight exposures to materials and energy (which rallied significantly) and an overweight exposure to consumer discretionary. The main contributors were an underweight exposure to financials and overweight to industrials.

Regarding stock selection, the main detractors from relative returns were positions in energy and materials, while the main contributors were positions in health care and financials stocks.

The largest individual detractor from relative performance was the nil position in Whitehaven Coal. The coal miner (+63%) saw its share price soar as stronger commodity prices were underpinned by supply concerns for thermal coal with the imposition of sanctions on Russia after its invasion of Ukraine. Other detractors included overweight positions in apparel retailer City Chic Collective (-38%) and workforce productivity software supplier Nitro Software (-38%) which also fell over the period.

The largest individual contributor to relative performance was the nil position in Zip Co (-66%). Shares in the online buy-now, pay-later (BNPL) provider fell alongside peer technology companies during the period and following the company's deal to take over rival Sezzle, which requires part funding from a share placement (at a discount) and share purchase plan. Other positive contributors included an overweight position in specialist construction, maintenance, and mining services group SRG Global (+30%) and the nil position in battery materials and technology company NOVONIX (-33%).

Market Review

Australian shares bucked global falls to post a gain of 2.24% in the March quarter, as measured by the S&P/ASX 200 index on a total return basis. The relative optimism in Australia reflects several factors at play. Inflation, whilst a real and growing issue in Australia, remains somewhat lower relative to global levels, with the RBA accordingly not as hawkish as many global central banks. Geographic isolation and lack of any significant economic ties to Russia was also a prime differentiator to global markets, with Australia benefitting from continued strong commodity prices by way of a strengthening terms of trade. The quarter also saw Australia begin to catch up to many global peers on further easing of COVID restrictions, though we remain behind most of Europe and the US in this regard. Domestic corporate earnings reports were also generally strong, as reflected in the February reporting season, with dividends remaining strong and outlook statements becoming clearer. At a sector level, energy was by far the standout performer, returning a remarkable 28.55% for the period as commodity prices surged. Defensive sectors, as well as those businesses seen as more sensitive to interest rates, were generally the weaker performers.

Outlook

Corporate earnings growth in Australia remains quite solid, with earnings and dividends still growing, though at a slightly reduced rate relative to the bounce-back in 2021. The broader economy also remains generally solid, with strong employment levels and terms of trade. The COVID pandemic meanwhile appears to be finally moving into a phase of being treated as an endemic issue, rather than a continued emergency requiring ongoing restrictions. Similar to other countries, domestic inflation remains a prime concern, with the RBA likely to cautiously raise rates over the medium-term, as it keeps a close eye on wages growth and the jobs market. Longer-term, we believe the market will ultimately continue to rise, with corrections and volatility on the way likely to provide opportunities.

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 and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.