

# Macquarie Australian Small Companies

Quarterly Investment Option Update

31 March 2022

## Aim and Strategy

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees). It aims to provide capital growth and some income.

The investment manager aims to build a portfolio of equities that are exposed to a wide range of factors driving share market performance. The process seeks to identify companies which rank highly on the investment manager's quantitative screens and which may exceed market expectations over the long term.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](http://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Australian Shares
<b>Suggested Investment timeframe</b>	5 years
<b>Relative risk rating</b>	7/ Very High
<b>Investment style</b>	Quantitative
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	n/a	96.41
Cash	n/a	3.59

Sector Allocation	%
Energy	9.09
Materials	22.60
Industrials	9.95
Consumer Discretionary	7.08
Consumer Staples	4.04
Health Care	4.93
Financials	13.57
Real Estate	9.70
Information Technology	5.84
Communication Services	9.58
Utilities	0.00

Top Holdings	%
IGO Ltd	2.11
Johns Lyng Group Ltd	2.04
Uniti Group Ltd	2.00
Centuria Capital Limited	1.90
CSR Limited	1.86
New Hope Corporation Limited	1.78
Steadfast Group Ltd	1.74
Healius Ltd	1.68
News Corporation	1.51
Elders Limited	1.48

## Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in New Hope Corporation (NHC), IGO Ltd (IGO), and Champion Iron (CIA).

Lithium and nickel producer, IGO Ltd (IGO), performed strongly due to rising lithium and nickel prices during the period. Investor demand for lithium remains positive, given the strong long-term demand outlook for electric vehicle (EV) batteries.

Champion Iron (CIA) outperformed as iron ore prices rose driven by expectations of eased restrictions on Chinese steelmakers and future stimulus measures from the Chinese government.

The main detractors from relative performance included underweight positions in Lake Resources (LKE) and AVZ Minerals (AVZ), and an overweight position in Healius Ltd (HLS).

Healius Ltd (HLS) underperformed this quarter due to changes in government regulation which allowed rapid antigen testing to be used alongside COVID PCR testing.

Underweight holdings in lithium project developers Lake Resources (LKE) and AVZ Minerals (AVZ) detracted from performance. The strong performance in these names was driven by positive investor sentiment for the lithium price. The Fund has exposure to other lithium miners such as IGO Ltd (IGO) which benefited from this thematic.

As at 31 March 2022, the largest overweight positions in the Fund were IGO Ltd (IGO), Johns Lyng Group (JLG) and Uniti Group (UWL).

## Market Commentary

The Australian equity market had a volatile start to the year and the S&P/ASX Small Ordinaries Accumulation Index finished the quarter -4.22%. There was a material divergence between large caps and small caps for the quarter, with the larger S&P/ASX 100 Accumulation Index finishing the quarter +2.99%.

Anticipated movements in interest rates and Russia's invasion of Ukraine were the key drivers of global equity markets for the quarter. January saw a broad-based equity sell-off across global developed markets as investors braced themselves for tighter monetary policy from central banks, led by the US Federal Reserve signaling an earlier start to quantitative tightening. The key macro event in February was the outbreak of war in Ukraine, which triggered investors to reduce risk. March saw global equity markets rising on hopes of peace talks between Russia and Ukraine while investors also appeared to remain positive on the economic outlook of developed nations despite high inflation and approaching rate hikes. The Australian market outperformed its developed market peers for the quarter, driven by relatively higher exposure to Resources which benefitted from strong commodity prices.

In domestic corporate news, February earnings season was a key focus for investors. Overall, it was a positive reporting season, with more earnings beats than misses. Inflationary pressures and interest rate movement implications were key themes that companies called out.

In sector news, the best performing sectors for the quarter were Energy (+23.6%) and Financials (+10.8%), supported by a broad-based increase in commodity prices. Health Care (-17.3%) and Information Technology (-16.2%) were the weakest performers.

Commodities had a very strong quarter. Brent oil increased 38.7%, driven by global supply concerns and the impacts of sanctions on Russian oil and gas exports. Iron ore lifted 31.9%, supported by a restock ahead of expected future stimulus measures in China. Gold increased 7.6% as investors repositioned into safe-haven assets.

Bond yields jumped as investors increased rate hike expectations amid higher inflation. The Australian 10-year yield materially increased by 1.16% to 2.83% and US 10-year yields also increased by 0.81% to 2.32%.

The AUD was steady against the USD, appreciating marginally by 3c to end the quarter at US\$0.751. In the domestic economy, the RBA maintained the cash rate at 0.10%.

## Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. February company earnings season highlighted improving operating momentum in many businesses, as COVID-related impacts moderate. With the Federal election due by May, short-term government policy is likely to remain supportive for corporate earnings.

Elevated global inflation will continue to be a focus for investors over coming months, as will the ongoing development of the Russia and Ukraine conflict. These are risks that the fund manager will continue to monitor closely.

## Availability

Product name	APIR
Signature Super*	AMP0962AU

\*Closed to new investors

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)  
Email: [askamp@amp.com.au](mailto: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.