

# Specialist Australian Small Companies

Quarterly Investment Option Update

30 June 2023

## 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 this product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	7 years
<b>Standard Risk Measure</b>	7/Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	7.19
Australian Shares	85.87
Listed Property and Infrastructure	1.57
Cash	5.37

<b>Sector Allocation</b>	<b>%</b>
Consumer Discretionary	18.10
Information Technology	13.15
Materials	12.14
Industrials	12.01
Financials	10.85
Health Care	8.46
Energy	7.37
Communication Services	6.36
Cash	5.37
Consumer Staples	4.17
Real Estate	2.02

<b>Top Holdings</b>	<b>%</b>
IRESS Ltd	2.95
Life360 Inc	1.83
PSC Insurance Group Ltd	1.76
AUCKLAND INTL AIRPORT	1.74
Navigator Global Investments L	1.68
Johns Lyng Group Ltd	1.62
Integral Diagnostics Ltd	1.60
ARB Corp Ltd	1.54
Technology One Ltd	1.53
Collins Foods Ltd	1.52

## Fund Performance

The Fund posted a positive return and outperformed its benchmark over the June quarter. There was significant divergence in the Fund's underlying managers' returns. Three of the four managers gained ground as well as outperforming the benchmark, with Eley Griffiths and Eiger faring the best on a relative basis. However Perennial was a drag on the Fund returns. The Fund continues to outperform its benchmark over the longer term, including over 3 and 5 years, and since inception.

Sector allocation enhanced relative returns, whereas stock selection detracted somewhat during the period. Regarding sector allocation, the main contributors were the underweight exposure to materials and overweight position in IT. The main detractor was an underweight position in real estate.

Turning to stock selection, positions in industrials accounted for most of the underperformance. On the flipside, the Fund's materials, IT and financials stock positions were strong contributors.

The largest individual contributor to relative performance was the overweight holding in US-based locations-based IT company Life360 (+54%), which soared after releasing its latest quarterly results that showed strong revenue growth, boosting its cash position with forecasts for FY2023 also strengthening. Other major contributors included an overweight position in funds manager Navigator Global Investments (+27%) and a nil position in gold miner Perseus Mining (-31%)

The largest individual detractor from relative performance was the overweight position in specialist clothing retailer Universal Store Holdings (-41%), which suffered after the company issued a profit warning amid other negative trading updates from the retail sector, as challenges from higher inflation and rising interest rates continue to impact on discretionary spending. Other detractors included an overweight position in Johns Lyng Group (-17%) and underweight position in Telix Pharmaceuticals (+63%).

## Market Review

Australian shares finished the June quarter up by 1.0%, as measured by the ASX200 total returns index. On one hand, this was spurred on by a strong US sharemarket lead, as global inflation levels continued to pull back. On the other hand, signs of a slowing Chinese economy weighed on Australian shares, given the countries' major trading relationship. The perception that Australia is 'behind the pace' in the global rate-hiking cycle also likely played on sentiment, though it should be remembered the impact of monetary policy is different locally, particularly given the much greater prevalence of variable rate mortgages and higher house prices. Overall, earnings remain reasonable, with many companies focussed on costs, given a general consensus of recessionary conditions being ahead.

## Outlook

Corporate earnings in Australia remain reasonable, though should be considered in real terms, given ongoing high levels of inflation. Businesses meanwhile remain focussed on cost pressures, which are generally being passed onto customers. As we approach a likely phase of lower economic growth, with further volatility likely to ensue, it's worth remembering that the current stage of the economic cycle is well known by markets and priced in, at least to some degree. The relative stability of Australian dividends over the long-term and their ability to generate a growing, tax effective income stream should also be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for greater returns.

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## 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 investors

\*\*Closed to new and existing investors

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