

Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

The Fund aims to outperform the S&P/ASX 300 Accumulation Index over the medium term (before fees). It aims to provide capital growth and some income.

The fund follows a quantitative strategy which utilises a risk-controlled approach to identify mis-priced securities. To achieve this, the Fund will utilise a set of systematic and event driven strategies. The systematic strategies aim to capture Quality, Momentum, and Value characteristics that have historically generated reliable excess returns in the Australian market.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	3-5 years
Relative risk rating	6/ High
Investment style	Quantitative
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100%	98.96%
Cash	0%	1.04%

Sector Allocation	%
Energy	4.63
Materials	17.05
Industrials	12.37
Consumer Discretionary	4.52
Consumer Staples	6.52
Health Care	10.02
Financials & Property ex LPTs	29.58
LPTs	6.25
Information Technology	1.78
Telecommunication Services	5.29
Utilities	0.94

Top Holdings	%
BHP Group	7.68
CSL	6.54
ANZ Bank	4.95
Westpac Bank	4.15
National Australian Bank	3.59
Transurban	3.36
Telstra	3.12
Woolworths	2.76
Macquarie Group	2.72
Aaristocrat Leisure	2.64

Portfolio Summary

- Global economic conditions remain uncertain and equity markets remain focused on central bank policy and US-China trade tensions.

Investment Option Commentary

The largest contributors to relative performance for the quarter included overweight positions in Beach Energy (BPT), ResMed (RMD) and an underweight position in Rio Tinto (RIO).

Oil stock Beach Energy benefitted from the global oil price spike in September due to an attack on major Saudi oil processing facilities. Investor confidence was further boosted by stable FY19 result as management upgraded production target and free cash flow forecasts.

The greatest detractors from relative performance included overweight positions in Cleanaway Waste Management (CWY), Fortescue Metals (FMG) and an underweight position in Wesfarmers (WES).

The share price of waste management company, Cleanaway, fell sharply after the company released full year earnings result, largely due to management downgrading FY20 expectations, driven by a modest reduction in revenue expectations. Major iron ore producer Fortescue Metals's share prices were also negatively impacted by commodity market volatility as iron ore prices plunged in July and August.

As at 30th September 2019, the largest overweight positions in the Fund were BHP Group (BHP), ResMed (RMD) and Atlas Arteria (ALX).

Market Commentary

The Australian equity market was impacted by global market volatility in Q3, particularly in August. Despite this, both the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index finished up for the quarter: 2.36% and 2.55% respectively.

Australian stocks reported moderate gains, supported by ongoing monetary easing. The top performing industry, Food & Staples, was up 15.22% whilst Communication Services was down 6.46%. The quarter was dominated by the August reporting season which resulted in more earnings downgrades than upgrades. Industrials generally posted solid results despite weak sales while Resources were disappointing with higher costs the driver. Solid results from retailers surprised the market leading to strong post-result gains.

The commodity market experienced volatility during the quarter. Gold prices posted strong gains in July and August on the back of increased risk aversion and falling interest rates but fell in September due to a temporary spike in global bond yields. Iron ore prices continued to retrace after a sharp decline in July, finishing the quarter at US \$93/mt. Oil prices were weak, with Brent falling in two consecutive months before rising slightly in September on the back of increased Middle East volatility.

In domestic economic news, the RBA cut the cash rate by a further 0.25% to a historical low of 1.00% in an effort to stimulate the economy, with possibility of a further rate cut in Q4. The Q2 GDP grew in line with consensus, rising 0.5% QoQ and the Q2 current account lifted to a surplus. Wage growth continued to stall but employment growth remained solid. The impact of a slowing construction sector may impact employment numbers in the coming period.

Outlook

Economic data continues to be mixed. Global economic conditions remain uncertain and equity markets remain focused on central bank policy and US-China trade tensions. In Australia, the upcoming Annual General Meeting (AGM) season will provide further insights as to the effectiveness of recently implemented fiscal and monetary stimulus

Availability

Product name	APIR
Signature Super	AMP0957AU*

* Close to new members

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



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