

Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

31 March 2020

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%	97.53%
Cash	0%	2.47%

Sector Allocation	%
Energy	1.81
Materials	21.79
Industrials	7.49
Consumer Discretionary	6.37
Consumer Staples	6.45
Health Care	15.79
Financials ex LPTs	22.84
Information Technology	2.28
Telecom Services	6.85
Utilities	1.06
LPTs	4.80

Top Holdings	%
Evolution Mining Limited	1.82
ResMed Inc	1.80
BHP Billiton	1.54
Aristocrat Leisure Limited	1.44
Spark New Zealand Ltd	1.36
Goodman Group	1.35
Telstra Corp.	1.22
South32	1.17
Transurban Group	1.12
TPG Telecom Limited	1.02

Portfolio Summary

The strategy outperformed the benchmark in the quarter (gross of fees).

Investment Option Commentary

In general, the investment option benefitted from being overweight in typically defensive sectors such as Gold (e.g. Evolution Mining), Telecommunication Services (e.g. Telstra), and Utilities. It was interesting to note that due to the nature of the downturn, REITs (a typically 'defensive' sector) underperformed on concerns that rents will be cut sharply as tenants are forced to reduce operations during lockdown periods. REIT gearing levels also came under increased focus.

When the COVID-19 pandemic emerged (initially as a risk focussed on a slowdown in China), Macquarie conducted risk modelling and identified stocks that were expected to be impacted by restrictions on the movement of people to and from China. As a result of this analysis, they moved to an underweight position across the companies most directly impacted by the pandemic. These were generally the companies that saw the sharpest share price movements during the quarter (e.g. Qantas, -54.6%).

As the downturn accelerated throughout the quarter, they further identified companies that were exposed to associated risks such as retail REITs and tollroads. As an example, Atlas Arteria (ALX) operates tollroads in the US, France and Germany, and is therefore directly impacted by the restrictions imposed in Europe. Companies with weaker balance sheets and potential liquidity concerns were also identified and exposures reduced accordingly.

As they reduced exposure in the strategy to companies directly impacted by the pandemic and subsequent global lockdowns, they selectively added to several high-quality companies with relatively defensive earnings streams. Such companies included Evolution Mining (EVN) and Inghams (ING).

Over the past few weeks Macquarie have observed a pick-up in activity in China as lockdown restrictions are lifted. Macquarie have therefore increased our exposure to companies that are poised to benefit from this, particularly those that will benefit from Chinese government stimulus, such as Fortescue Metals (FMG).

Another important consideration they have accounted for is positioning the Fund for an eventual market rebound. A sustained market recovery will likely see higher beta companies outperform. They have been monitoring and moderating defensive positions in the Fund that have performed well, whilst simultaneously investing in higher quality, higher beta companies that are expected to performed well in a market recovery.

Examples of stocks that they have recently added: Ansell (ANN), NextDC (NXT), Coles (COL), Cochlear (COH), TPG Telecom (TPM) and Sonic Healthcare (SHL).

As 31 March 2020, the largest overweight positions in the strategy were Evolution Mining (EVN), ResMed (RMD) and BHP Group (BHP).

Market Commentary

The Australian equity market had a challenging first quarter of the year, with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index posting returns for the period of -23.10% and -23.41% respectively.

The Healthcare sector lead the ASX for the quarter, seeing some buoyancy among manufacturers and distributors of health and safety protection solutions, as well as diagnostics groups. Energy was the worst performing sector for the quarter (-48.22%), hit by both a reduction in demand due to lockdowns, as well as a significant fall in oil prices detailed further below. Real Estate, typically a more 'defensive' sector, was the second worst performer for the quarter on the back of concerns that rents would be cut sharply as tenants are forced to reduce operations during lockdown periods.

Outlook

The COVID-19 outbreak will likely continue to drive global market sentiment in the short term as investors assess the implications on global growth. We will continue to monitor the risk closely and its evolution over the coming weeks and months will be critical for the performance of stocks and sectors going forward. The recent market volatility once again highlights that periods of risk aversion will continue to emerge, reinforcing the importance of remaining focused on a long-term and diversified investment strategy.

Availability

Product name	APIR
SignatureSuper	AMP0957AU*

* Close to new members

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 AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). 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 the 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. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information 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.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

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 (underlying fund). 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 AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.