

Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

30 September 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:

www.amp.com.au/performance

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	100.00	98.91
Cash	0.00	1.09

Sector Allocation	%
Energy	2.87
Materials	20.43
Industrials	8.83
Consumer Discretionary	9.16
Consumer Staples	6.03
Health Care	11.93
Financials	22.78
Real Estate	7.06
Information Technology	2.53
Telecom Services	6.45
Utilities	0.84

Top Holdings	%
Aristocrat Leisure Limited	1.83
James Hardie Industries	1.58
Evolution Mining Limited	1.52
Goodman Group	1.36
Woolworths	1.22
WorleyParsons Limited	1.10
Spark New Zealand Ltd	1.03
Oz Minerals Limited	0.99
South32	0.97
Transurban Group	0.97

Portfolio Summary

The Fund returned 1.9% (before fees) for the quarter, outperforming the benchmark by 1.99%

Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in James Hardie (JHX), Aristocrat Leisure (ALL), and Goodman Group (GMG).

Building materials manufacturer James Hardie (JHX) had a strong quarter after the release of June quarter results in early August demonstrated resilience through challenging conditions, with operating cash flow up 35% on the previous corresponding period and net operating profits remaining steady. James Hardie's performance persisted throughout the quarter, fueled further by the US housing recovery. Record-low mortgage rates drove growth in new US home sales of 4.8% in August, which was above forecasts and exceeded one million sales for the first time since 2006.

Detractors from relative performance included overweight positions in Insurance Australia Group (IAG), Beach Energy (BPT) and Ampol (ALD).

Insurance Australia Group (IAG) had weak performance following an update ahead of its FY20 results announcement which outlined challenges across the business. This included severe natural peril activity such as bushfires and hailstorms, market volatility impacting shareholder funds, and COVID-19 related disruption to the flow of new business. In early August IAG announced their full year results, with net profit down 59% and confirming no final dividend to be paid.

As 30 September 2020, the largest overweight positions in the Fund were Aristocrat Leisure (ALL), James Hardie (JHX), and Evolution Mining (EVN).

Market Commentary

The Australian market slipped marginally lower during the quarter, with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index ending the quarter -0.44% and -0.06% respectively.

Markets globally spent much of the quarter weighing up the prospects of further fiscal stimulus, vaccine progress, and the emergence of a second wave of infections. In July, the Australian federal government announced extensions of the JobKeeper and JobSeeker assistance programs, allaying fears of a "fiscal cliff" even though payments and eligibility are scheduled to be tightened. Meanwhile in the US, concerns of delays in the approval of additional stimulus measures caused more whipsawing in the markets. On the political front, uncertainty in the US began to increase ahead of the upcoming US Presidential elections in November, whilst global markets declined after the announcement that President Trump had tested positive for COVID-19 on 1st October.

Economic data released on 2nd September confirmed the Australian economy contracted by 7% in the June quarter, which is the largest fall in GDP since the 1930s, however the data was broadly in line with existing Treasury and RBA estimates.

Australian corporate news for the quarter was dominated by August's reporting season, which saw most listed companies report. This year was generally more positive than expected however companies largely avoided providing any firm forward guidance. Key themes included 1) the positive impact of household stimulus across the retail sector, 2) COVID recovery forming a key focus for management teams, and 3) banks continuing to face challenges.

Commodity prices were mixed for the quarter. Iron Ore increased from \$101.5/t to \$120.00/t on rising demand in China and reduced supply from low cost producers. Gold peaked at a record high of \$1964/oz before finishing the quarter at \$1886/oz as the global growth outlook improved.

The evolution of the COVID crisis and the ongoing actions of global policymakers will remain critical to the performance of equities over the coming period. Upcoming global political events, including the US election on 3rd November and the Brexit trade deal deadline on 31st December, will also be key to market sentiment during the final quarter of 2020.

Outlook

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Availability

Product name	APIR
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* Close to new members

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