

# Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

31 December 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/performance](http://amp.com.au/performance)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	99.21
Cash	0	0.79

Sector Allocation	%
Energy	3.28
Materials	18.45
Industrials	7.63
Consumer Discretionary	9.18
Consumer Staples	5.06
Health Care	10.73
Financials	26.06
Real Estate	7.14
Information Technology	4.03
Telecom Services	6.93
Utilities	0.71

Top Holdings	%
Aristocrat Leisure Limited	1.41
James Hardie Industries	1.19
Woolworths	1.17
Beach Energy Limited	1.08
Seven Group Holdings	1.03
Oz Minerals Limited	1.01
BHP Billiton	0.96
Spark New Zealand Ltd	0.93
Transurban Group	0.93
Scentre Group Ltd	0.91

## Portfolio Summary

The Fund underperformed the benchmark for the December 2020 quarter.

## Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in Nuix (NXL) and Beach Energy (BPT), and an underweight position in Newcrest Mining (NCM).

Commodity price movements were key drivers this quarter. Gold miner Newcrest Mining (NCM) underperformed following a softer gold price for the quarter. Gold is a traditional safe-haven asset and falls when investors are feeling comfortable and less risk averse, as was observed in the December quarter. Oil and gas producer Beach Energy (BPT) performed strongly after the positive vaccine developments sparked an oil price rally on hopes of a swifter economic recovery and an earlier-than-expected restart of international travel.

Forensic software company Nuix (NXL) performed strongly following its IPO on 4th December at a price of \$5.31 per share, raising approximately \$950m. Nuix specialises in intelligence software for extracting information from unstructured data.

Detractors from relative performance included overweight positions in Evolution Mining (EVN) and Transurban (TCL), and an underweight position in Xero (XRO).

Toll-road operator Transurban (TCL) had a challenging quarter. The company continued its disagreement with contractors in Melbourne over responsibility for cost blowouts on its new \$6.7bn West Gate Tunnel toll road. Furthermore, in early October, TCL surprised investors with the news it was selling off stakes in its US roads to prop up its balance sheet. The Chairman noted that the sale was not prompted by concerns over falling traffic numbers resulting from global lockdowns, but rather a desire to be more cautious about its balance sheet, which is carrying \$22bn of debt.

As 31 December 2020, the largest overweight positions in the Fund were Aristocrat Leisure (ALL), James Hardie (JHX), and Woolworths (WOW).

## Market Commentary

The Australian market marched higher in the fourth quarter of the year, with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index ending the quarter 13.70% and 13.79% respectively. This takes the calendar year return into positive territory; 1.21% and 1.32% respectively for the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index.

There was much for investors to digest throughout the quarter. Positive vaccine news was received with relief and viewed as the beginning of the end for the pandemic despite a backdrop of record high COVID-19 cases in much of the western world. Meanwhile the US Presidential election resulted in a Biden win which has since been cemented further following the results of the Georgia Senate run-offs in early January, which now means the Democrats will control both houses of Congress, along with the White House. Domestically, November saw the Australian market post its best monthly returns in more than three decades off the back of the encouraging vaccine news. A key theme of markets for the quarter was a rotation back to sectors that had been hardest hit by the pandemic and subsequent lockdowns. However, it remains to be seen if this so-called 'Value rotation' has longevity. The local market tapered off towards the end of the quarter, following the detection of a COVID-19 cluster in Sydney's Northern Beaches. Stimulus measures, both monetary and fiscal, continue to provide support and in October, the 2020 Commonwealth budget was delivered, outlining larger than expected measures including tax breaks for individuals and hiring incentives for businesses.

## Outlook

Positive news regarding additional stimulus, as well as the approval and early stage distribution of COVID-19 vaccines, continued to drive global markets higher in December. As 2020 comes to a close, the recovery in the Australian market appears to be continuing however particular attention will be paid by investors to COVID new case data and the implications for economic activity. With the February reporting season now closing in, investors will also be watching closely to determine whether the market's forgiveness around negative announcements seen throughout 2020 will extend into the new year.

## Availability

Product Name	APIR Code
SignatureSuper	AMP0957AU*

\*Closed to new investors

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