

# Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

30 June 2021

## 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	100.00	98.64
Cash	0.00	1.36

Sector Allocation	%
Energy	2.65
Materials	20.70
Industrials	5.95
Consumer Discretionary	9.56
Consumer Staples	5.84
Health Care	8.78
Financials ex LPTs	29.00
LPTs	6.34
Information Technology	2.83
Telecom Services	6.96
Utilities	0.04
Cash	1.36

Top Holdings	%
Aristocrat Leisure Limited	1.65
BHP Group	1.57
Transurban Group	1.07
Seven Group Holdings	1.03
ResMed Inc	1.02
Oz Minerals Limited	0.93
James Hardie Industries	0.87
IGO Ltd	0.86
Telstra Corp.	0.86
CSR Limited	0.85

## Portfolio Summary

The fund underperformed the benchmark over the second quarter of 2021.

## Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in Uniti Group (UWL), Aristocrat Leisure (ALL), and ALS Ltd (ALQ).

Game machine manufacturer Aristocrat Leisure (ALL) outperformed after the business reported their 1H21 results, which showed a 12% increase in normalized net profit before amortization and a 6% increase in normalized EBITDA. The business noted growth in its digital games business and that performance was partly offset by some international markets remaining closed due to the pandemic.

The main detractors from relative performance included overweight positions in EML Payments (EML), Beach Energy (BPT), and Seven Group Holdings (SVW).

Oil producer Beach Energy (BPT) plunged after releasing its results for the quarter ending 31 March 2021. The update noted a 15% drop in production compared to the previous corresponding quarter, driven by reduced reservoir performance. The update also included a net downgrade to its estimated oil and gas reserves, reducing Beach Energy's estimated reserves by approximately 5%. As a result, the company withdrew its five-year outlook and revised down its FY21 production guidance.

Payment services provider EML Payments (EML) underperformed in May after providing an update to the market which outlined that the Central Bank of Ireland had raised compliance concerns regarding EML's European based PFS Card Services business based in Ireland. Whilst the investigation into the matter is ongoing, EML flagged that approximately 27% of its global revenue was derived through the entity under review and noted that directions or enforcements could potentially have a material impact on operations.

As 30 June 2021, the largest overweight positions in the fund were Aristocrat Leisure (ALL), BHP Group (BHP), and Transurban (TCL).

## Market Commentary

The Australian market had another strong quarter, with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index ending the quarter 8.29% and 8.48% respectively. This took the financial year returns to 27.80% and 28.49%, respectively.

In the domestic market, the unbroken streak of positive monthly returns for 2021 continued, as broadly better-than-expected economic data and rising commodity prices pushed markets higher. While the economy appeared to be bouncing back from the pandemic, a multi-city lockdown at the end of the quarter has cast a doubt over Australia's recovery trajectory. Community backlash to the on-and-off lockdown process resulted in the Federal Government recently announcing its four-phase "Pathway out of COVID-19", which outlines Australia's plan to transition from its suppression-focussed policy toward a more managed approach once vaccinations reach certain levels. In other COVID news, global case numbers declined as vaccination programs continued to progress, with 50% of the population vaccinated in the UK, 47% in the US and Australia trailing somewhat at 7.4%.

After rising on inflationary concerns in Q1, bond yields pulled back in the second quarter of 2021. This was triggered by the pause in US growth, which was driven by the conclusion of fiscal stimulus payments to consumers. The US 10 year government bond yield fell 28 basis points to 1.45%, whilst the Australian 10 year government bond yield also fell by 28 basis points to 1.51%.

One theme of the quarter was the ongoing Value/Growth rotation. The last financial year has favoured Value, which outpaced Growth by 24%. The value rotation was supported by a strong cyclical recovery, positive vaccine news, the Democrat's clean sweep and the combination of stronger inflation and higher bond yields compared to a year ago. That said, growth outperformed at the end of the June quarter, driven predominantly by gains in tech stocks.

In sector news, Information Technology (+12.1%) and Consumer Discretionary (+11.2%) were the strongest performers. Technology names have benefitted from a pullback in bond yields. Meanwhile Utilities (-4.5%) and Energy (-2.8%) lagged. The Utilities sector continues to face numerous headwinds, including low power prices, ESG concerns related to the energy transition and valuation headwinds caused by movements in bond yields. Banks endured a fairly turbulent quarter; initially outperforming in May on the back of positive trading updates, and then falling slightly towards the end of the quarter as bond yields fell.

The AUD was unchanged over the quarter, staying at US\$0.75. In the domestic economy, the RBA maintained the cash rate at 0.15%.

## Outlook

While the COVID-19 recovery in Australia continues to progress, the June outbreak placed additional pressure on the Federal and State governments to expedite Australia's vaccine rollout. For the months ahead, key factors influencing market sentiment will include movements in bond yields and inflation, the success of the global vaccine rollout and the impact of the unwind of domestic stimulus measures on the local economy.

## Availability

Product name	APIR
SignatureSuper	AMP0957AU*

\* Close to new members

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