

# Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

30 September 2022

## Aim and Strategy

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 option provides exposure to a diversified portfolio of Australian equities through securities listed, or expected to be listed, on the Australian Securities Exchange. The option may also provide exposure to equity issued by Australian entities on offshore exchanges, derivatives (including options, futures, warrants and forwards) and cash.

The investment manager aims to build a portfolio of equities that are exposed to a wide range of factors driving share market performance. The process seeks to identify companies which rank highly on the investment manager's quantitative screens and which may exceed market expectations over the long term.

## 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>	7 / Very High
<b>Investment style</b>	Quantitative
<b>Manager style</b>	Single Manager

Sector Allocation	%
Energy	8.41
Materials	22.75
Industrials	5.29
Consumer Discretionary	5.86
Consumer Staples	4.68
Health Care	8.20
Financials	27.11
Real Estate	3.66
Information Technology	4.70
Communication Services	5.30
Utilities	1.73

Top Holdings	%
ANZ Bank	1.64
South32	1.54
Computershare Limited	1.49
Qantas Airways	1.41
Abacus Property Group	1.33
Aristocrat Leisure Limited	1.32
Telstra Corp.	1.31
Nine Entertainment Co	1.27
IGO Ltd	1.26
Coles Group Limited	1.25

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	97.68
Cash	0.00	2.32

## Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in IGO Ltd (IGO), Whitehaven Coal (WHC), and WiseTech Global (WTC).

Lithium prices continue to remain strong with further positive outlook for the sector as supply is expected to remain tight, benefiting IGO Ltd (IGO) which outperformed for the period.

Coal producers New Hope Corporation (NHC) and Whitehaven Coal (WHC) outperformed as coal prices rose, driven by the global energy crunch and continued supply constraints.

Cloud-based software provider WiseTech Global (WTC) outperformed for the period after providing a positive update during August reporting season.

The main detractors from relative performance included overweight positions in Centuria Capital (CNI), ASX Ltd (ASX), and Aussie Broadband Ltd (ABB).

Specialist listed property fund (REIT) manager Centuria Capital (CNI) underperformed as the impact of higher interest costs was felt across the property sector with many companies flagging distributions to be flat or to fall in FY23.

ASX Ltd (ASX), the dominant securities exchange in Australia, underperformed after releasing full year results that disappointed the market with higher-than-expected capital expenditure and expenses in FY23. The company also flagged less IPOs given challenging market conditions and elevated volatility.

As of 30 September 2022, the largest overweight positions in the Fund were Australia and New Zealand Banking Group (ANZ), South 32 (S32), and Computershare (CPU).

## Market Commentary

Despite a volatile quarter for markets globally, the Australian equity market finished the quarter relatively flat, with the S&P/ASX 200 Accumulation index and the S&P/ASX 300 Accumulation Index ending the quarter up 0.39% and 0.45% respectively.

A rebound in Australian equities in July and August driven by improving investor sentiment unravelled in September when markets globally lost further ground. Investors were burdened by the same issues plaguing markets throughout most of 2022 including persistent inflation, ongoing and aggressive rate hikes, and concerns over a global recession. Markets have also been impacted by ongoing political concerns as the Russian and Ukraine conflict, and tensions mounted between the USA and China.

In sector news, the best performing sector for the quarter was Energy (+1.7%), driven by the relative strength in commodity prices. Healthcare (+3.2%) was another outperformer. Utilities (-12.5%) and REITs (-6.4%) were the weakest performers, with both impacted by upward movements in yields.

A key focus for domestic investors during the quarter was the August reporting season, which sees most listed companies announce financial results and earnings guidance. Overall, the Australian market enjoyed a stronger than expected reporting season with most companies cautiously optimistic about their revenue outlook despite facing several headwinds and volatile markets over the last six months. Many companies commented on the strength of the Australian consumer, noting high levels of savings and the robust nature of the household balance sheet as a positive. However, companies also noted many common challenges, including increasing costs impacting margins, and supply chain issues leading to high levels of inventory. Some of the better results included IT companies Altium (ALU) and Wisetech Global (WTC) which were both up more than 15% for the month.

Commodities had a weak quarter, despite energy prices remaining elevated relative to long term averages. Brent oil fell by 22.8% to US\$88/bbl as COVID impacts linger and supply increased. Iron ore fell by 20.3 to US\$98/Mt, driven by delays due to bans on Russian shipments and a combination of over-supply and soft demand respectively. Gold decreased by 8.0% to US\$1,672 per ounce as rising global interest rates remain a headwind.

Ongoing rate hikes also impacted bond yields, with Australian 10-year yields increasing 0.23% to 3.89% and in the US, 10-year yields rising by 0.82% to 3.80%. The AUD depreciated against the USD by 6.8% to end the quarter at US\$0.64.

At the time of writing this report, the RBA cash rate is 2.60% after the RBA raised the rate by a less-than-expected 0.25% on Tuesday 4th October 2022.

## Outlook

Volatility is likely to remain elevated as markets grapple with higher interest rates, a slowing global economy and potential falls in corporate earnings. Rising geo-political tensions add to the uncertainty.

However, markets have fallen significantly, offering increasing valuation support at current levels. Any signs that central banks are looking to temper interest rate rises would likely see a strong rebound in investor sentiment.

## Availability

Product name	APIR
SignatureSuper*	AMP0957AU

\* Closed to new investors

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