

Macquarie Wholesale Australian Equities

Quarterly Investment Option Update

31 March 2022

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 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 medium term.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	3-5 years
Relative risk rating	7 / Very High
Investment style	Quantitative
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	n/a	97.88
Cash	n/a	2.12

Sector Allocation	%
Energy	5.98
Materials	23.57
Industrials	3.78
Consumer Discretionary	8.12
Consumer Staples	4.35
Health Care	9.40
Financials	28.65
Real Estate	4.89
Information Technology	3.44
Communication Services	5.70
Utilities	0.00

Top Holdings	%
Bluescope Steel Limited	1.62
IGO Ltd	1.57
Santos	1.50
CSR Limited	1.34
Northern Star Resources Ltd	1.17
Computershare Limited	1.00
Tabcorp Holdings Limited	0.99
Aristocrat Leisure Limited	0.98
Medibank Private Ltd	0.96
Whitehaven Coal Limited	0.93

Investment Option Commentary

The biggest contributors to relative performance for the quarter included overweight positions in IGO Ltd (IGO), Champion Iron (CIA), and Santos (STO).

Lithium and nickel producer, IGO Ltd (IGO), performed strongly due to rising lithium and nickel prices during the period. Investor demand for lithium remains positive, given the strong long-term demand outlook for electric vehicle (EV) batteries.

Champion Iron (CIA) outperformed as iron ore prices rose, driven by expectations of eased restrictions on Chinese steelmakers and future stimulus measures from the Chinese government.

The main detractors from relative performance included overweight positions in Woodside Petroleum Limited (WPL), Aristocrat Leisure (ALL), and Healius Ltd (HLS).

Woodside Petroleum Limited (WPL) outperformed this quarter following the imposition of sanctions against Russia, which is one of the world's top three oil producers. This has led oil prices to increase significantly, rising above US\$100 and to 8-year highs. While the portfolio does not hold WPL, it does hold material exposure to Santos (STO), which also benefits from rising oil prices.

Healius Ltd (HLS) underperformed this quarter due to changes in government regulation which allowed rapid antigen testing to be used alongside COVID PCR testing.

As of 31 March 2022, the largest overweight positions in the Fund were IGO Limited (IGO), BlueScope Steel (BSL) and Santos Ltd (STO).

Market Commentary

The Australian equity market had a volatile start to the year, although finished in positive territory with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index ending the quarter up 2.24% and 2.09% respectively.

Anticipated movements in interest rates and Russia's invasion of Ukraine were the key drivers of global equity markets for the quarter. January saw a broad-based equity sell-off across global developed markets as investors braced themselves for tighter monetary policy from central banks, led by the US Federal Reserve signaling an earlier start to quantitative tightening. The key macro event in February was the outbreak of war in Ukraine, which triggered investors to reduce risk. March saw global equity markets rising on hopes of peace talks between Russia and Ukraine while investors also appeared to remain positive on the economic outlook of developed nations despite high inflation and approaching rate hikes. The Australian market outperformed its developed market peers for the quarter, driven by relatively higher exposure to Resources which benefitted from strong commodity prices.

In domestic corporate news, February earnings season was a key focus for investors. Overall, it was a positive reporting season, with more earnings beats than misses. Inflationary pressures and interest rate movement implications were key themes that companies called out.

In sector news, the best performing sectors for the quarter were Energy (+28.3%) and Materials (+15.2%), supported by a broad-based increase in commodity prices. Industrials (-19.4%) and Consumer Discretionary (-14.5%) were the weakest performers.

Commodities had a very strong quarter. Brent oil increased 38.7%, driven by global supply concerns and the impacts of sanctions on Russian oil and gas exports. Iron ore lifted 31.9%, supported by a restock ahead of expected future stimulus measures in China. Gold increased 7.6% as investors repositioned into safe-haven assets.

Bond yields jumped as investors increased rate hike expectations amid higher inflation. The Australian 10-year yield materially increased by 1.16% to 2.83% and US 10-year yields also increased by 0.81% to 2.32%.

The AUD was steady against the USD, appreciating marginally by 3c to end the quarter at US\$0.751. In the domestic economy, the RBA maintained the cash rate at 0.10%.

Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. February company earnings season highlighted improving operating momentum in many businesses, as COVID-related impacts moderate. With the Federal election due by May, short-term government policy is likely to remain supportive for corporate earnings.

Elevated global inflation will continue to be a focus for investors over coming months, as will the ongoing development of the Russia and Ukraine conflict. These are risks that the fund manager will continue to monitor closely.

Availability

Product name	APIR
SignatureSuper*	AMP0957AU

*Restricted. Please see your Product Disclosure Statement

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