

Investment objective

Aims to outperform the S&P/ASX 200 Accumulation Index (**Index**) over the medium to long term (before fees). It aims to provide capital growth and some income.

Key information

Fund details

APIR code	MAQ0443AU
Inception date	29 November 2005
Fund size	\$199.5m
Distribution frequency	Quarterly
Management fee*	0.60% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	macquarie.com.au/unit_prices

*Read the Product Disclosure Statement for more details on fees and costs.

Fund performance to 31 December 2020

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	1.15	1.10	1.21	-0.11
3 months (%)	13.60	13.43	13.70	-0.27
1 year (%)	8.21	7.57	1.40	6.17
3 years (% pa)	10.04	9.38	6.72	2.66
5 years (% pa)	13.78	12.57	8.72	3.85
Since inception (% pa)	12.05	10.57	6.82	3.75

Past performance is not a reliable indicator of future performance.

Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

Total net Fund returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

Top 3 stock attribution (alphabetical)

Charter Hall Group

Nuix Ltd

Oz Minerals Limited

Italics denote underweight

Bottom 3 stock attribution (alphabetical)

QBE Insurance

Rio Tinto

WorleyParsons Limited

Italics denote underweight

Top 5 overweight positions (alphabetical)

Aristocrat Leisure Limited

Beach Energy Limited

Breville Group

Charter Hall Group

Scentre Group Ltd

Macquarie Australian Shares Fund

Monthly report – 31 December 2020

Fund highlights

The Fund finished the month up 1.10% (post-fees), underperforming the benchmark by 0.11%.

The largest contributors to relative performance for the month included overweight positions in Nuix (NXL), Oz Minerals (OZL) and Charter Hall Group (CHC).

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.

The greatest detractors from relative performance included overweight positions in Worley (WOR) and QBE Insurance (QBE), and an underweight position in Rio Tinto (RIO).

Mining and energy engineering firm Worley (WOR) underperformed after providing an operating update on the financial year to date. Management noted ongoing site access restrictions and deferred activity due to COVID-19, as well as FX headwinds due to its substantial operations in the US. However, management also noted that cost synergies from its ECR acquisition were on track to be delivered by April 2021, and its operational savings project to deliver \$275m of cost reductions was on track to be delivered by December 2021.

As 31 December 2020, the largest overweight positions in the Fund were Aristocrat Leisure Ltd (ALL), Scentre Group (SCG), and Charter Hall Group (CHC).

Market review

The S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index rose in December, finishing the month up 1.21% and 1.32% respectively.

Following very strong performance in November, the Australian market continued to rise during December, albeit at a more moderate pace. Mining companies were the key driver of returns in Australia during December, with a subsector return of approximately 11%, led by the iron ore majors with Fortescue a clear standout (FMG, +29%). Iron ore prices jumped after Brazilian miner Vale cut its production guidance. The Australian market weakened slightly towards the end of the month, following the detection of a COVID-19 cluster in Sydney's Northern Beaches. The spike in cases in NSW led to a number of social distancing restrictions being implemented ahead of the holiday period, and other states imposed border closures whilst NSW worked towards stemming further spread.

Globally, COVID-19 infection rates and deaths reached new records again across the US, UK and Europe. The vaccine rollout began in the US and UK, however the US fell short of its end of year vaccination target as the distribution process proved slower than expected. Domestically, one interesting feature we observed during December was a more typical market reaction to 'bad news'. A number of companies released negative updates during the month that were punished by sharp falls in share prices. Examples include QBE Insurance (QBE, -15%), A2 Milk (A2M, -17%), Appen (APX, -22%), AGL Energy (AGL, -11%), Service Stream (SSM, -20%) and Integrated Research (IRI, -18%). Prior to December, investors had been relatively accepting that 2020 was exceptionally difficult from an operational perspective and tended to 'look through' bad news, instead focussing on a brighter future. In Australia, Information Technology (+9.5%) was the best performing major sector, and the Utilities sector (-5.4%) was the weakest performer.

Global bond yields remain at ultra-low levels, with US 10yr government bond yields rising 7 basis points to 0.92% at the end of December. Australian 10yr government bond yields rose 7 basis points to 0.97%.

Global commodity prices rose materially in December, with iron ore up 17.2% and gold up 7.7%. The Brent oil price rose 8.7% to US\$51.72/bbl, driven by a weakening US dollar and increased demand expectations with further progress on the vaccine distribution being made.

The AUD rose 3.5c during December to US\$0.77. In the domestic economy, the RBA maintained the cash rate at 0.15%.

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.

Macquarie Australian Shares Fund

Monthly report – 31 December 2020

For more information speak to your financial adviser, call us on 1800 814 523, email mim.clientservice@macquarie.com or visit macquarie.com

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