Macquarie Investment Management

Macquarie Australian Shares Fund

Monthly report – 31 January 2021

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.

Fund performance to 31 January 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.11	0.06	0.31	-0.25
3 months (%)	11.28	11.12	11.89	-0.77
1 year (%)	3.14	2.53	-3.11	5.64
3 years (% pa)	9.54	8.89	6.99	1.90
5 years (% pa)	14.73	13.53	10.02	3.51
Since inception (% pa)	11.99	10.52	6.80	3.72

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.

Key information

Fund details	
APIR code	MAQ0443AU
Inception date	29 November 2005
Fund size	$203.1m
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.

Top 3 stock attribution (alphabetical)

Breville Group
Rio Tinto
Xero Limited

Italics denote underweight

Bottom 3 stock attribution (alphabetical)

Beach Energy Limited
Charter Hall Group
Woodside Petroleum

Italics denote underweight

Top 5 overweight positions (alphabetical)

Aristocrat Leisure Limited
Breville Group
Charter Hall Group
Scentre Group Ltd
Super Retail Group Ltd

Fund highlights

The Fund finished the month +0.06% (post-fees), underperforming the benchmark by 0.25%.

The largest contributors to relative performance for the month included an overweight position in Breville Group (BRG), and underweight positions in Rio Tinto (RIO) and Xero (XRO).

Appliance manufacturer Breville Group (BRG) continues to perform strongly following an impressive run in 2020. BRG was a beneficiary of imposed lockdowns as more time was spent eating at home than in cafes and restaurants, driving increased demand for cooking appliances and coffee machines. This thematic underpinned a 25% increase in revenue and a 18% lift in gross profit. As a result, BRG expects its FY 2021 EBIT to be up more than 15% from FY 2020 EBIT of $113 million.

The greatest detractors from relative performance included overweight positions in Beach Energy (BPT) and Charter Hall Group (CHC), and Perpetual (PPT).

Fund manager Perpetual (PPT) underperformed after a disappointing trading update. According to the release, Perpetual's total assets under management came in at $89.2 billion at the end of the second quarter, however Perpetual Asset Management Australia's asset management fell 2% to $22.7 billion due to outflows from its enhanced cash mandate.

As 31 January 2021, the largest overweight positions in the Fund were Aristocrat Leisure (ALL), Scentre Group (SCG), and Charter Hall Group (CHC).

Market review

The Australian market posted modest gains during January, with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index up 0.31% and 0.33% respectively. The last two days of the month saw the market down ~2.5%, erasing most of the gains up to that point.

The Australian market was the best performing developed market for the month, outperforming the S&P 500 (-1.1%) and the broad-based MSCI World Index (-0.7%). January saw a reversal of recent trends, with emerging markets outperforming developed markets, and Australian large caps outperforming Australian small caps. There was a slight pullback in markets globally on the last 2 days of the month, driven by a combination of weaker than expected US economic data, rising bond yields, and an increase in inflationary expectations. Stories of short squeezes grabbed headlines at the end of the month, stemming from the collective actions of US retail investors, connected via internet chat forums. These investors executed vicious short squeezes, forcing numerous institutional hedge funds to liquidate their short positions. On 20 January Joe Biden was sworn in as the 46th President of the United States. Since being sworn in, President Biden has signed 42 executive orders, including the re-joining of the US to the Paris Agreement, which was received positively by stocks exposed to the renewables sector.

In COVID news, global cases passed 100 million in January as countries continued to struggle with vaccine supply issues, and new COVID variants. Domestically, 31 January marked NSW's second consecutive week of zero locally acquired COVID cases. In contrast, Western Australia announced a five-day period of emergency mobility restrictions after the reported detection of one case of the UK variant in the community.

Consumer discretionary (+4.7%) was the best performing sector for the month. This strength was seen in consumer durables (Breville Group, +13.5%), retail (Wesfarmers, +8.4% and Super Retail, +6.9%), and autos (ARB Corporation, +14.1%). These names are mostly COVID 'winners', posting strong trading updates in January. A key area of weakness were sectors that have been hardest hit by the pandemic, for example travel (Flight Centre, -11.2% and Webjet, -5.7%) and casinos (Star Entertainment, -6.2%). Banks were solid performers for the month, posting strong returns following a spike in bond yields at the start of January after the US Democrats took control of the Senate. Earnings upgrades, mostly due to lower bad debts, also supported banks.

Commodity prices were mixed. Brent oil prices rose 7.9% to US$55.88/bbl, partly driven by vaccine optimism and a surprise Saudi oil supply cut. Iron ore continued its march higher although pulled back later in the month to finish flat. Gold prices fell 1.3%.

Global bond yields rose, with the US 10 year government bond yield rising 0.17% to 1.09%. The Australian 10 year government bond yield also rose by 0.12% to 1.09%.

The AUD retraced 0.4c during January to US$0.77. In the domestic economy, the RBA maintained the cash rate at 0.15%.

Outlook

Australian economic data shows signs that the economic recovering is progressing well, however investor attention will remain focussed on the global rollout and efficacy of the various approved COVID vaccines.
With the February reporting season now commencing, domestic investors will be closely monitoring the impact, both positive and negative, of COVID on local companies. Of particular interest will be outlook for demand once stimulus measures begin to unwind and the longer term outlook for costs.

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