

Investment objective

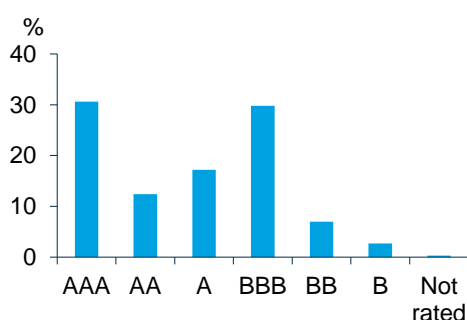
Aims to generate attractive returns by dynamically investing in global fixed income instruments. It aims to provide diversification against equity risk as well as capital growth and some income.

Key information

Fund details	
APIR code	MAQ0274AU
Inception date	30 September 2002
Fund size	\$706.5m
Distribution frequency	Quarterly
Management fee*	0.614% 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.

Credit profile breakdown



Average credit rating: A
Less than BBB includes residual exposure to issuers held through global investment grade allocation

Fund performance to 31 March 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.19	0.14	-0.21	0.35
3 months (%)	-1.63	-1.78	-1.10	-0.68
1 year (%)	4.90	4.26	1.72	2.54
3 years (% pa)	5.16	4.51	3.20	1.31
5 years (% pa)	4.84	4.20	2.77	1.43
10 years (% pa)	5.38	4.74	4.66	0.08

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.

From 7 January 2019, the benchmark is Bloomberg Barclays Global Aggregate 1 to 10 years Index hedged to AUD. Prior to this, the benchmark was Bloomberg AusBond Composite 0+Yr Index. The performance information shown above is against the current benchmark. Further information in relation to the performance against the previous benchmark is available on request.

Asset allocation

	Fund (%)
Sovereign bonds ¹	47.6
Investment grade credit ²	40.7
High yield	7.4
Emerging markets debt ³	4.3

¹ Includes Australian government, Australian semi-government, supranational, global sovereign and cash

² Includes Australian and global investment grade credit

³ May include holdings of sub-investment grade instruments

Fund statistics

Credit spread duration	2.6 years
Interest rate duration	3.6 years
Standard deviation ¹	2.9% pa
Yield to maturity ²	1.5% pa

¹ Statistical measure of variance of Fund's post-fee monthly returns from its average post-fee return since inception used as gauge of volatility.

² Pre-fee return Fund would earn over next year based on current market conditions if there were no changes to interest rates or holdings of Fund. It is not an actual or estimated return.

Geographical exposure

	Interest rate duration ¹ (%)	Credit spread duration ² (%)
North America	19.3	34.0
Europe (ex UK)	-15.3	13.8
UK	11.9	6.7
Australia/New Zealand	52.2	25.0
Japan	0.1	0.1
Others	31.8	20.4

¹ Calculated based on security's currency

² Calculated based on security issuer's currency

Macquarie Dynamic Bond Fund

Monthly report – 31 March 2021

Fund highlights

The theme of 'divergence' has been observed over the past months, with uneven impacts of the pandemic across countries and sectors as well as varied fiscal responses by different governments. Adding to the divergence has been the vaccination rollouts. Amongst developed countries, the UK and US have led the way on vaccine administration, which are enabling the gradual re-opening of their economies. In contrast, Europe has laboured and is now dealing with a third wave of coronavirus and a re-tightening of restrictions. The combined result has caused US rates to shoot higher, led by the 10-year bond yields, and yield curves to steepen sharply. European yields, on the other hand, actually fell by a few basis points. So, for fixed income investors, country selection and positioning were key drivers of performance in the month of March.

That said, there should be no allusions to the challenges facing fixed income in 2021, as the volatility across interest rate markets experienced during the first quarter is likely to continue as investors cope with the uncertainties still surrounding the virus, the challenges of the vaccination process and the expected volatility in the month-to-month economic data. Still, supportive policies and a gradual re-opening of economies are combining to underpin risk markets, where credit spreads have remained resilient and close to historic tight.

The Fund delivered a positive total return in the month of March.

The Fund's duration has remained at low levels given that the reflation theme remains front and centre for bond markets. The Fund holds a low level of US Treasuries given that the US fundamentals are expected to be stronger than peers, and favours Australian securities given the relative attractiveness on a hedged basis. Duration strategies contributed positively to returns.

The Fund's credit allocations also contributed positively to performance in March, principally driven by exposures to higher-beta investment grade credit (BBB and hybrid securities). Most of the portfolio activities centred around new issue opportunities during the month, with strong issuance volumes in the US and Europe offering some options for adding bonds. Additions within the Fund included US technology company Oracle Corporation, which was downgraded just before the new bond was offered and repriced significantly wider, offering attractive spread levels; and UK's Gatwick Airport, which has a long recovery ahead but is supported by its relative focus on leisure travel, a sector that we expect to rebound much more rapidly. The new additions were offset somewhat by the continued reduction in exposures to issuers that had performed well, and we have continued to prefer higher-beta, shorter-dated credit over longer-dated issuance with limited spread on offer. Overall, the credit market is heavily 'picked over' and the Fund's allocation to credit has been trimmed back in recent months, but some opportunities continue to offer relative value.

Outlook

In the coming quarter, the recovery outlook for the US is poised to lead the way, while Europe is expected to continue struggling. The US will benefit from the upcoming substantial fiscal package, which includes large direct stimulus payments. As the services sector gradually re-open, the benefit should manifest in both spending and employment. These all point to a likely robust rebound in growth in the coming quarter, which will be accompanied by the surge in oil prices and base effects to push headline inflation rates higher. Interestingly though, central banks have been consistently citing the transitory nature of these inflation factors, expecting the large structural dampeners on inflation to contain the longer-term risks. Thus, a gap has opened between the markets' outlook for inflation and that of central banks. This suggests that bond market volatility is likely to persist until one side shifts their view.

Certainly, the rise in US rates has been larger and quicker than we had expected, but elsewhere the move in rates has been more gradual. Thus, the scene is set for a lot of noise in fixed income markets, where managing duration risk is in focus. We are also alert to any shift by policy makers. We expect central banks to maintain their easy policy stance, which leaves fiscal as the likely factor for surprise. On one hand, as economies re-open the huge fiscal support measures are expected to roll off. The risk here is that there is an 'activity gap' particularly in terms of employment. On the other hand, there is scope for fiscal policy to shift from 'support' to 'direct' stimulus. The US is again leading the way, with President Biden outlining an ambitious infrastructure package. This could help lift the current low level of productivity, as it tilts policy toward investment into the supply side of the economy. While there is still a long way to go for the passing of the package, theoretically the US fiscal policy is supportive of growth going forward. But as it is supply-driven, the inflation risk should be contained. A side effect to consider is that this fiscal initiative could widen the gap of growth further between the US and regions such as Europe.

We therefore expect a challenging investment climate to persist, where our intention is to maintain discipline and recognise that opportunities will present themselves.

Macquarie Dynamic Bond Fund

Monthly report – 31 March 2021

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

Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFS Licence 238321 is the issuer of units in, and responsible entity of the Fund.

The information in this report is provided for general information purposes only and is not, and should not be construed as, an advertisement, an invitation, an offer, a solicitation of an offer or a recommendation to participate in any investment strategy or take any other action, including to buy or sell any product offered by any member of the Macquarie Group. The above information is not personal advice and does not take into account the investment objectives, financial situation or needs of any person. Investors should consider the offer document of the Fund in deciding whether to acquire or continue to hold units in the Fund. The offer document is available by contacting us on 1800 814 523. Past performance is not a reliable indicator of future performance.

Future results are impossible to predict. In preparing this document, reliance may have been placed, without independent verification, on the accuracy and completeness of information available from external sources. This report may also include opinions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Forward-looking statements constitute the investment manager's judgement as at the date of preparation of this report and are subject to change without notice. To the maximum extent permitted by law, no member of the Macquarie Group nor its directors, employees or agents accept any liability for any loss arising from the use of this document, its contents or otherwise arising in connection with it.

The Fund may have exposure to instruments that reference a market determined rate such as LIBOR. Current and future regulatory developments may lead to the cessation of some of these rates. This may adversely impact the value and/or liquidity of these instruments.

Other than Macquarie Bank Limited (**MBL**), none of the entities noted in this document are authorised deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities, unless noted otherwise.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively '**Bloomberg**'). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, '**Barclays**'), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays is affiliated with Macquarie, and neither approves, endorses, reviews or recommends the Fund. Neither Bloomberg nor Barclays guarantees the timeliness, accurateness or completeness of any data or information relating to Bloomberg Barclays Capital Global Aggregate Index, and neither shall be liable in any way to Macquarie, investors in the Fund or other third parties in respect of the use or accuracy of the Bloomberg Barclays Capital Global Aggregate Index or any data included therein.