

### 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	\$251.5m
Distribution frequency	Quarterly
Management fee*	0.60% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	<a href="https://www.macquarie.com.au/unit_prices">macquarie.com.au/unit_prices</a>

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

### Fund performance to 31 December 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	3.09	3.04	2.75	0.29
3 months (%)	3.15	3.02	2.09	0.93
1 year (%)	18.81	18.13	17.23	0.90
3 years (% pa)	17.18	16.50	13.62	2.88
5 years (% pa)	14.28	13.30	9.76	3.54
Since inception (% pa)	12.47	11.04	7.44	3.60

#### 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)

[Redacted]

Champion Iron Ltd

*CSL Limited*

*Woolworths*

Italics denote underweight

#### Top 5 overweight positions (alphabetical)

[Redacted]

Aristocrat Leisure Limited

BHP Group

Bluescope Steel Limited

CSR Limited

IGO Ltd

#### Bottom 3 stock attribution (alphabetical)

[Redacted]

*Mineral Resources*

*Rio Tinto*

Seek Ltd

Italics denote underweight

# Macquarie Australian Shares Fund

Monthly report – 31 December 2021

## Fund highlights

This month, the Fund finished up 3.04% (post-fees), outperforming the benchmark by 0.29%.

The largest contributors to relative performance for December included underweight positions in Woolworths Group Ltd (WOW) and CSL Ltd (CSL), and overweight positions in Champion Iron Ltd (CIA) and IGO Ltd (IGO).

Retail and supermarket provider, Woolworths Group Ltd (WOW) underperformed following a disappointing trading update. The company noted increased costs due to COVID affecting distribution centres and stores. Lower tobacco sales and a moderation in grocery sales also contributed to the earnings downgrade. The company also lodged a competing bid for Australian Pharmaceuticals Industries (API) at \$1.75 that was subsequently withdrawn in early January.

The largest detractors from relative performance included an overweight position in Seek Ltd (SEK) and underweight positions in Mineral Resources Ltd (MIN) and Rio Tinto Ltd (RIO).

The outperformance of both Mineral Resources Ltd (MIN) and Rio Tinto Ltd (RIO) can be attributed to a rebound in the price of iron ore, bolstered by plans in China for credit easing and more supportive policy. The fund holds overweight positions in BHP Group (BHP) and Champion Iron that made positive contributions to performance.

Seek (SEK) underperformed in line with general weakness in the growth-focussed technology sector.

As of 31 December 2021, the largest overweight positions in the Fund were IGO Limited (IGO), Aristocrat Leisure (ALL) and BHP Group Ltd (BHP).

## Market overview

In December, Australian stocks rallied with the S&P/ASX 200 Accumulation Index and S&P/ASX 300 Accumulation Index up 2.75% and 2.65% for the month. This ended a strong year for Australian equities with the two benchmarks up 17.23% and 17.54% respectively.

In global equities, December experienced steady increases despite case numbers from the Omicron variant continuing to reach daily records, stalling the international recovery from the COVID-19 crisis. Although the pandemic remains unpredictable, stable hospitalisation rates and subsiding fears toward Omicron have contributed to a relatively neutral initial reaction from markets. Furthermore, growth in the number of booster shots administered has led to more COVID recoveries and an optimistic outlook to life with the virus, enhanced by the easing of government restrictions. US inflation rates were on par with expectations as supply chain disruptions were slightly alleviated, encouraging investors to raise equity prices and push bond yields down. Considering this, the Australian market lagged other developed markets, sitting 1.2% behind the MSCI World All Countries Index (+3.7%). Globally, China was the worst performer in December experiencing a 3.2% decline, however MSCI Emerging Markets sustained reasonable growth at 1.5%.

Utilities (+7.9%) were December's top-performing sector, as investors anticipate changes to electricity prices in 2022. This was followed by Mining (+7.2%), driven by a rebound in iron ore prices, and Banks (+5.9%), which recovered over half of November's steep decline (-9.3%). On the flip side, the worst performing sector was Technology (-5.3%) led by Afterpay (APT) which was mirroring Block Inc's (previously named Square Inc) 22.5% decline. Healthcare (-2.4%) and Staples (-2.3%) also dragged on markets, largely due to stock specific factors. The drag on Healthcare can mostly be attributed to CSL (-5.2%) which announced a takeover offer for Vifor Pharma, prompting Australia's second largest equity raise in history.

Yield changes in December were minimal with the Australian 10-year yield dropping 3bps to 1.67% and the US 10-year yield rising 8bps to 1.51%.

Commodities were mixed for December. Iron ore rose by 18.5% following cuts to the one-year lending rate by the People's Bank of China. Uranium (-27.2%) and Natural Gas (-22.1%) experienced the largest falls among commodities in December, mainly attributed to warmer than expected weather in both the US and Europe. WTI Oil ended the month on a high, up 13.6%, as gas and power prices surge in Europe and governments forgo implementing new restrictions in response to Omicron.

The AUD appreciated 2.5% in December to US\$0.727. The cash rate remained stable at 0.10% in the domestic economy.

## Outlook

As rules surrounding isolation and testing continue to be relaxed in Australia, markets are expected to normalise. However, investor focus remains on the impact of the Omicron variant and potential emergence of further virus mutations.

Domestically, the economic rebound continues to be a key theme for investors, with the easing of restrictions being met with strong consumer and corporate demand. With a Federal election expected in May, government policy will be an important contributor to economic activity in the coming months.

In global markets, inflation above pre-COVID levels will continue to impact investment decisions. As a result, central bank policy should be monitored closely by investors, with higher interest rates likely throughout 2022.

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**For more information speak to your financial adviser, call us on 1800 814 523, email [mim.clientservice@macquarie.com](mailto:mim.clientservice@macquarie.com) or visit [macquarie.com](http://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.

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