

Macquarie Australian Shares Fund

Monthly report – 31 March 2022

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	\$264.5m
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 March 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	7.76	7.71	6.89	0.82
3 months (%)	2.59	2.44	2.24	0.20
1 year (%)	16.91	16.24	14.97	1.27
3 years (% pa)	13.94	13.29	10.59	2.70
5 years (% pa)	13.48	12.53	9.22	3.31
Since inception (% pa)	12.44	11.02	7.47	3.55

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 5 overweight positions

(alphabetical)

Bluescope Steel Limited

CSR Limited

IGO Ltd

Northern Star Resources Ltd

Santos

Top 3 stock attribution (alphabetical)

IGO Ltd

Uniti Group Ltd

Whitehaven Coal Limited

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Aristocrat Leisure Limited

Medibank Private Ltd

Virgin Money UK CDI

*Italics denotes underweight

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Fund highlights

This month, the Fund finished the month up 7.71% (post-fees), outperforming the benchmark by 0.82%.

The largest contributors to relative performance included overweight positions in Uniti Group (UWL), New Hope Corporation (NHC), and IGO Ltd (IGO).

Lithium and nickel producer, IGO Limited (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. Meanwhile, the spot nickel price rallied 32.3% during March, as investors grew concerned about ongoing supply disruptions stemming from the Russia/Ukraine conflict.

Uniti Group (UWL) outperformed after the company received two takeover offers in the month. The initial bid was from infrastructure and property-focused asset manager, Morrison & Co. The bid valued the company at A\$3.06bn, a 43% premium on UWL's previous closing price.

The largest detractors from relative performance included overweight positions in Aristocrat Leisure (ALL), Virgin Money UK (VUK), and Medibank Private (MPL).

United Kingdom focused regional bank, Virgin Money UK (VUK), underperformed during the period, as the Russia/Ukraine conflict weighed on the European banking sector.

Private health insurer Medibank Private (MPL) underperformed after facing calls from the Private Hospital Association chief executive to pass more COVID savings back to members. Investors also positioned for higher expected claims, as elective surgery activity increases following COVID shutdowns.

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

Market overview

Australian It was another strong month for Australian equities, with the S&P/ASX 200 and S&P/ASX 300 Accumulation Index finishing the month +6.89% and +6.90% respectively.

March saw global equity markets rising on hopes of peace talks between Russia and Ukraine. Global investors also appear to remain positive on the economic outlook of developed nations despite high inflation and approaching rate hikes, as geopolitical tensions continue to keep investors wary of Emerging markets. Australian equities outperformed global equities for a second month in a row, driven by strong commodity prices which pushed the Energy and Materials sectors higher. Australian equities have been strong performers since Russia's invasion of Ukraine which has driven a rotation to markets with high commodity exposure and strong governance.

Domestically, Information Technology (+13.2%) was the best performing sector as investors bought some of the companies that were sold off in January and February such as Block Inc (SQ2, +19.3%), Wisetech Global (WTC, +17.3%), and Computershare (CPU, +14.0%). Energy (+9.8%) and Materials (+8.9%) also outperformed.

Real Estate (+1.5%) was the worst performing sector, driven primarily by the rise in bond yields. Health Care (+2.5%) and Consumer Discretionary (+4.2%) also underperformed.

Commodity prices continued to rise. Brent oil moved up US\$7 to US\$108/bbl on continuing geopolitical tensions restricting supply. This increase was despite the sharp drop in prices at the end of the month on news that the US government is considering an emergency oil reserve release. Iron ore climbed US\$17 to US\$153/Mt as markets expect robust restocking demand post-COVID. Gold increased 1.7%.

Bonds sold off as investors priced in higher inflation and interest rates, with the Australian 10-year yield increasing 0.69% to 2.83%. US 10-year yields also materially sold off by 0.49% to 2.32%. The AUD appreciated 2.5c in March to US\$0.751. The RBA cash rate remained stable at 0.10%.

The Australian Federal budget for 2022-23 was announced at the end of the month, with ongoing fiscal stimulus measures ahead of the Federal election in May.

Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. With the Federal election due in May, short-term government policy is likely to be 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 we will continue to monitor closely.

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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 macquarieim.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. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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