

Macquarie Australian Shares Fund

Monthly report – 31 May 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	\$260.9m
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 May 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-3.40	-3.45	-2.60	-0.85
3 months (%)	3.29	3.13	3.21	-0.08
1 year (%)	5.75	5.15	4.84	0.31
3 years (% pa)	11.04	10.39	7.85	2.54
5 years (% pa)	11.98	11.15	8.84	2.31
Since inception (% pa)	12.02	10.62	7.17	3.45

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

Goodman Group

IGO Ltd

Lottery Corporation Ltd

Santos

Top 3 stock attribution (alphabetical)

Tabcorp Holdings Limited

Whitehaven Coal Limited

Woolworths

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Bluescope Steel Limited

CSR Limited

Johns Lyng Group Ltd

*Italics denotes underweight

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Fund highlights

In May, the Fund finished down 3.45% (post-fees), underperforming the benchmark by 0.85%.

Key contributors to relative performance included overweight positions in Whitehaven (WHC) and Santos (STO), and an underweight position in Woolworths (WOW).

Oil and gas producer Santos (STO) outperformed off the back of rising oil prices due to global supply concerns as the conflict in Ukraine continued.

Woolworths Group (WOW) underperformed for the period despite releasing a solid quarterly sales update with its supermarkets division reporting strong sales growth. It also announced that it had taken an 80% stake in online retailer MyDeal (MYD). However, concerns on the ability to maintain margins via higher prices amid ongoing inflation concerns saw weakness in the share price.

The greatest detractors from relative performance included overweight positions in CSR Limited (CSR), Johns Lyng Group (JLG) and BlueScope Steel (BSL).

Building products company CSR (CSR), underperformed on the back of weakened investor sentiment following concerns of rising costs and falling demand due to rising mortgage rates.

Johns Lyng Group (JLG), a provider of integrated building services, underperformed as the company was impacted by a number of factors in May, despite favourable operating conditions. Valuation concerns, insider selling and crowded positioning were identified as drivers of share price weakness.

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

Market overview

Australian equities declined in May, with the S&P/ASX 200 and S&P/ASX 300 Accumulation Index finishing the month down 2.60% and 2.76% respectively.

May was a challenging month for Australian equities, as investors reacted to the RBA increasing the cash rate by 25bps to 0.35%, the first rate hike since 2010. Value continued to outperform growth stocks during the period, a trend that was evident globally. In the US, we are seeing value outperform growth over the last 6 months (US value +2.0%, US growth -22.6%) for the first time in years.

Materials (+0.1%) was the best performing sector with easing COVID restrictions and expectations of more stimulus in China supporting major mining stocks, including South32 (S32, +4.8%) and BHP (BHP, +4.4%).

Real Estate (-8.9%) was the worst performing sector, largely driven by Goodman Group (GMG, -14.3%) and Charter Hall Group (CHC, -15.3%). Goodman Group was weaker on comments from Amazon suggesting that requirements for additional warehouses and distribution centres was flattening off as COVID-driven online spending slowed. Technology (-8.7%), Communications (-6.5%) and Staples (-6.6%) also underperformed for the period.

Supply chain pressures saw Brent oil climb US\$12 to US\$122/bbl while Iron ore dropped US\$6 to US\$137/Mt, driven by ongoing COVID restrictions in China. Gold fell sharply to US\$1,852 per ounce as rising global interest rates provide a headwind for the precious metal.

Bond yields continued to rise as investors reacted to tightening monetary policy with the Australian 10-year yield increasing 0.22% to 3.34%. Interestingly, US 10-year yields fell by 0.05% to 2.84%. The AUD strengthened in May, finishing the month +1.6% against the USD.

Outlook

Anthony Albanese is Australia's new Prime Minister after Labor won enough seats to form majority government. However, the outcome of the election is not expected to play a major role in determining overall market direction against a backdrop of macro influences including higher interest rates, rising inflation, and ongoing geo-political uncertainty.

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For more information speak to your financial adviser, call us on 1800 814 523, email mam.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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