

Macquarie Australian Shares Fund

Monthly report – 31 August 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	\$258.7m
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 August 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	2.24	2.18	1.18	1.00
3 months (%)	-0.96	-1.12	-2.39	1.27
1 year (%)	-1.20	-1.76	-3.43	1.67
3 years (% pa)	8.87	8.23	5.51	2.72
5 years (% pa)	10.97	10.29	8.13	2.16
Since inception (% pa)	11.76	10.37	6.90	3.47

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)

Centuria Capital Limited

Computershare Limited

IGO Ltd

Nine Entertainment Co

South32

Top 3 stock attribution

(alphabetical)

IGO Ltd

Monadelphous Group Limited

South32

*Italics denotes underweight

Bottom 3 stock attribution

(alphabetical)

Abacus Property Group

ASX Limited

Centuria Capital Limited

*Italics denotes underweight

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Fund highlights

In August, the Fund finished up 2.18% (post-fees), outperforming the benchmark by 1.01%.

The key contributors to relative performance included overweight positions in IGO Limited (IGO), South32 (S32) and Monadelphous Group Limited (MND).

Lithium prices continue to remain strong with most stocks in the sector up strongly during the month, including IGO Ltd (IGO). IGO is well-positioned to benefit from the transition to future-facing minerals with significant exposure to both nickel and lithium.

Mining company South32 (S32) outperformed during the period after announcing strong FY22 results, increasing its fully franked ordinary dividend and declaring a special dividend. S32 benefited from high commodity prices and increased production which helped the bottom line.

The key detractors from relative performance included overweight positions in Centuria Capital (CNI), ASX Limited (ASX) and Abacus Property Group (ABP).

Specialist listed property fund (REIT) manager Centuria Capital (CNI) underperformed as the impact of higher interest costs was felt across the property sector with many companies flagging distributions to be flat or to fall in FY23. Abacus Property (ABP) has exposure to storage and office property. The short-to-medium term prospects for office property remains uncertain as the sector grapples with the working-from-home thematic.

ASX Limited (ASX), the dominant securities exchange in Australia, underperformed in the month after releasing full year results that disappointed the market with higher-than-expected capital expenditure and expenses in FY23. The company also flagged less IPOs given challenging market conditions and elevated volatility.

Market overview

Australian equities rose in August, with the S&P/ASX 200 and S&P/ASX 300 Accumulation Index both finishing the month up 1.18%. Globally, equity markets struggled in August with both the S&P 500 (-4.1%) and the MSCI Developed Markets Index (-3.4%) losing ground. Investor sentiment softened following hawkish commentary from the Federal Reserve at the annual Jackson Hole symposium which heightened expectations of continued rate hikes in the US.

Domestically, Energy (+7.8%) was the best performing sector, despite weakness in the oil price. Thermal coal producers Whitehaven Coal (WHC, +28%) and New Hope Coal (NHC, +12%) were up strongly as coal prices remained elevated. Real Estate (-3.2%) was the worst performing sector, amid concerns that distributions will be impacted as higher bond yields flow through to increased interest costs. This particularly impacted office REITs such as Centuria Office (COF, -12%) and Dexis (-8%, DXS).

A key focus for domestic investors was the August reporting season, which sees most listed companies announce financial results and earnings guidance. Overall, the Australian market enjoyed a stronger than expected reporting season with most companies cautiously optimistic about their revenue outlook despite facing several headwinds and volatile markets over the last six months. Many companies commented on the strength of the Australian consumer, noting high levels of savings and the robust nature of the household balance sheet as a positive. However, companies also noted many common challenges, including increasing costs impacting margins, and supply chain issues leading to high levels of inventory. Some of the better results included IT companies Altium (ALU) and Wisetech Global (WTC) which were both up more than 15% for the month.

Commodity prices continued to fall during the month as COVID impacts linger and supply increased. This saw Brent oil drop US\$14 to US\$96/bbl and Iron ore fall US\$19 to US\$99/Mt. Gold continued to decline, seeing a fall by US\$38 to US\$1,716 per ounce.

The hawkish commentary from the U.S Federal Reserve also impacted bond yields, with Australian 10-year yields increasing 0.54% to 3.60% and in the US, 10-year yields rising by 0.33% to 2.64%. The USD strengthened against the AUD, gaining 2.09% for the month. At the time of writing this report, the RBA cash rate is 2.35% after the RBA raised the rate by 0.50% on Tuesday 6th September 2022.

Outlook

Despite a generally positive August reporting season, investors remain cautious given the traditional lag between rising interest rates and the impact on the economy. As the market continues to grapple with the trade-off between using tighter monetary policy to tame inflation against the risk of a slowing economy, market volatility is likely to remain elevated.

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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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