

Macquarie Australian Shares Fund

Monthly report – 31 October 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	\$271.2m
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 October 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	5.85	5.79	6.04	-0.25
3 months (%)	3.48	3.32	0.67	2.65
1 year (%)	1.12	0.53	-2.01	2.54
3 years (% pa)	8.95	8.31	4.82	3.49
5 years (% pa)	10.42	9.75	7.18	2.57
Since inception (% pa)	11.72	10.34	6.80	3.54

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)

Altium Limited

ANZ Bank

Qantas Airways

QBE Insurance

South32

Top 3 stock attribution (alphabetical)

Fortescue Metals

IGO Ltd

Qantas Airways

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

ASX Limited

Medibank Private Ltd

Westpac Bank

*Italics denotes underweight

Macquarie Australian Shares Fund

Monthly report – 31 October 2022

Fund highlights

In October, the Fund finished up 5.79% (post-fees), underperforming the benchmark by -0.25%.

The key contributors to relative performance included overweight positions in Qantas (QAN) and IGO Limited (IGO) and an underweight position in Fortescue Metals (FMG).

Australia's national carrier Qantas outperformed for the period following a very positive trading update, noting leisure travel was at 130% of pre-COVID levels and business travel had also recovered.

Lithium name IGO outperformed despite a mixed quarterly production report and the sad passing of its chief executive. The report noted that expected capital expenditure at its Cosmos project was expected to be considerably higher than earlier estimates.

The key detractors from relative performance included overweight positions in ASX Limited (ASX) and Medibank Private (MPL) and an underweight position in Westpac Banking Group (WBC).

Private health insurer Medibank Private underperformed for the period after being the subject of a well-publicised cyber-security breach. After spending a period in trading halt, the company announced that initial cost estimates were around \$25-\$35m covering incremental IT improvement, customer service initiatives and remediation costs for impacted policyholders.

Big 4 bank Westpac outperformed for the period in the run-up to their full-year results with investors expecting higher net interest margins to lift profits.

Market overview

Australian equities bounced back in October, with the S&P/ASX 200 and S&P/ASX 300 Accumulation Index finishing the month up 6.04% and 5.96% respectively.

Globally, equity markets rallied in October with both the S&P 500 (+8.1%) and the MSCI Developed Markets Index (+7.5%) rebounding strongly. Investor sentiment lifted, following a few tough months, on the hope that central banks are nearing the peak of policy tightening. This was seen in Australia where the RBA rate hike of 25bps in early October was below market consensus and broke the trend of four consecutive monthly hikes of 50bps.

The Annual General Meeting (AGM) season also kicked off in October, with a trend towards earnings downgrades. Companies that analysts looked unfavourably on included those negatively impacted by high energy and gas costs, the low Australian dollar and volatile weather patterns.

Domestically, Financials (12.2%) was the best performing sector in October. This was driven largely by the banking sector which continued to benefit from relatively high bond yields leading to higher net interest margins. Westpac (WBC, +16.8%) and Bank of Queensland (BOQ, +16.7%) were the best performing banks. Energy (+9.5%) was the second-best performing sector as Brent oil prices rose during the period. Consumer Staples (-0.2%) and Materials (-0.1%) were the only two sectors in the red for the month.

Commodity prices had mixed results during the month. Brent oil rose US\$7 to US\$95/bbl while Iron ore fell US\$16 to US\$82/Mt. Gold continued to lose ground as a strong US dollar and high real rates continued to impact prices, seeing a fall by US\$24 to US\$1,648 per ounce.

The smaller-than-expected RBA rate hike in October saw Australian 10-year yields fall by 0.13% to 3.76%. However, in the US, 10-year yields continued their upward trajectory rising by 0.28% to 4.07%. The AUD weakened slightly against the USD, losing -0.02% for the month.

At the time of writing this report, the RBA cash rate is 2.85% after the RBA raised the rate by a further 0.25% on Tuesday 1st November 2022.

Outlook

Despite a moderate recovery in October, markets continue to offer valuation support at current levels. Corporate earnings remain broadly robust, although the impact of rising interest rates and higher cost-of-living expense is yet to be fully felt by households.

However, volatility is likely to stay elevated whilst the trajectory of interest rates remain uncertain and geo-political risks rise.

Macquarie Australian Shares Fund

Monthly report – 31 October 2022

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 AFSL 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.

The above information is not personal advice and does not take into account the investment objectives, financial situation or needs of any person. The Fund is designed for investors who are seeking capital growth, intending to use the Fund as a satellite within a portfolio, have a medium to long-term investment timeframe, have a high or very high risk/return profile and require the ability to have daily access to capital. Please review the Target Market Determination available at macquarieim.com/TMD and consider if the Fund may be suitable for you. Investors should consider the offer document relating to 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. This report includes 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.

In preparing this document, reliance may have been placed, without independent verification, on the accuracy and completeness of information available from external sources. 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.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank"), any Macquarie Group entity noted in this material is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these other Macquarie Group entities do not represent deposits or other liabilities of Macquarie Bank. Macquarie Bank does not guarantee or otherwise provide assurance in respect of the obligations of these other Macquarie Group entities. In addition, if this document relates to an investment, (a) the investor is subject to investment risk including possible delays in repayment and loss of income and principal invested and (b) none of Macquarie Bank or any other Macquarie Group entity guarantees any particular rate of return on or the performance of the investment, nor do they guarantee repayment of capital in respect of the investment.