

Macquarie Australian Shares Fund

Monthly report – 30 April 2023

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	\$358.5m
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 30 April 2023

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	1.59	1.54	1.85	-0.31
3 months (%)	-0.95	-1.09	-0.80	-0.29
1 year (%)	4.42	3.78	2.83	0.95
3 years (% pa)	16.46	15.77	13.99	1.78
5 years (% pa)	10.28	9.63	8.26	1.37
Since inception (% pa)	11.85	10.49	7.11	3.38

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
Auckland International Airport Limited
Austbrokers Holdings Limited
Qantas Airways
QBE Insurance

Top 3 stock attribution (alphabetical)

Austbrokers Holdings Limited
Corporate Travel Management Limited
<i>Fortescue Metals</i>

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

<i>Allkem</i>
Champion Iron Ltd
Grange Resources Limited.

*Italics denotes underweight

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Fund highlights

The Fund returned 1.54% (post-fees) for the month, underperforming the benchmark by -0.31%.

The key contributors to relative performance included an underweight position in Fortescue Metals (FMG) and overweight positions in Corporate Travel (CTD) and AUB Group (AUB).

Steel producer Fortescue underperformed for the period as iron ore prices fell, directly impacting the company's bottom line.

Corporate Travel saw its share price jump after winning a significant contract with the UK Home Office to provide bridging and accommodation services for asylum seekers.

The key detractors from relative performance included underweight positions in Allkem (AKE) and Mirvac (MGR) and an overweight position in Grange Resources (GRR).

Lithium producer Allkem outperformed amid speculation it was a potential takeover target given the fall in lithium prices in recent months.

Property manager Mirvac outperformed as the pause in monetary policy in early April triggered a rebound in the REIT sector.

Market overview

Australian shares lifted 1.8% in April joining a broad rally in global equities which largely forgot its March concerns over banking stress. Evidence continues to mount that inflation is waning and the RBA's April decision to pause interest rates drove interest rate sensitive sectors higher – particularly Listed Real Estate (+5.3%) and Information Technology (+4.8%).

March monthly and quarterly inflation data in late April confirmed the disinflationary cycle is underway in Australia. The composition, however, remains concerning. On the positive side, goods inflation, which is one-third of inflation, has peaked and is now falling and reflects the dissipation of 2022's supply chain shocks. The remaining two-thirds, which is the "stickier" services component, continues to increase at 8% pa which is now 2% higher than the US. This segment is driven by wages and rents and is forecast to be at best 4% by the end of 2023. For now, the market has glossed over the services inflation challenge and is taking a victory lap on the RBA's pause in rates.

Australian shares have underperformed global shares in 2023 due to their relative overweight in financials and underweight to technology. (MSCI global +9%, S&P500 up +8.6%, NASDAQ +16.8%). Despite the strength in Australia's banking system, weaker returns have been unavoidable which, due to their relative size, have created a larger drag on the ASX indices. A more sanguine outlook for rates has improved the valuations of long duration technology companies. This has a greater relative benefit to US and global markets which have higher concentrations of technology in their indices.

Besides the growing evidence that inflation is waning, the other reason central banks have slowed rate rises has been the rise of banking stress. Higher rates have triggered solvency issues within US regional banks which has slowed credit growth and proxied the rate hiking work of central banks. Initially, the swift actions of regulators and market participants in the US curtailed any contagion however more recent concerns around another US Regional bank, First Republic, has revived fears of a US recession later this year. While banking stress gives central banks another reason to pause the tightening cycle the impact on financial stocks has been oppressive. Even though Australia's retail banks have the strongest balance sheets in global retail banking, our financial sector (mainly banks) has posted only 0.6% gains this year versus the ASX200 which is up 5.4%.

Commodity prices generally fell during the month. Brent Oil fell by US\$0.23 to US\$79.54/bbl. Iron ore prices fell US\$22 to \$105.00/Mt. Gold was flat, with prices increasing slightly by US\$2.85 to US\$1,983.

Bond yields were relatively flat with Australian 10-year bond yields moving 4 bps to 3.34% and US yields seeing similar movement, changing 5 bps to 3.45%. At the time of writing this report, the cash rate is 3.85% after the RBA raised the rate by 0.25% on Tuesday 2nd May 2023.

Outlook

With central banks continuing to hike interest rates, investor focus will be on potential earnings downside as economic growth slows. Markets continue to monitor for further 'unexpected consequences' of central bank actions.

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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 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.

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