Macquarie Investment Management

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 30 September 2021

Investment objective

Aims to provide positive returns of 3% to 5% per annum above Australian inflation[1] over the medium term (before fees). It also seeks to provide regular income.

[1] Defined as the Consumer Price Index (**CPI**) as measured by the Reserve Bank of Australia Trimmed Mean and as published by the Australian Bureau of Statistics.

Key information

Fund details	
APIR code	MAQ3069AU
Inception date	30 September 2013
Fund size	$246.8m
Distribution frequency	Monthly
Management fee*	0.70% 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 statistics

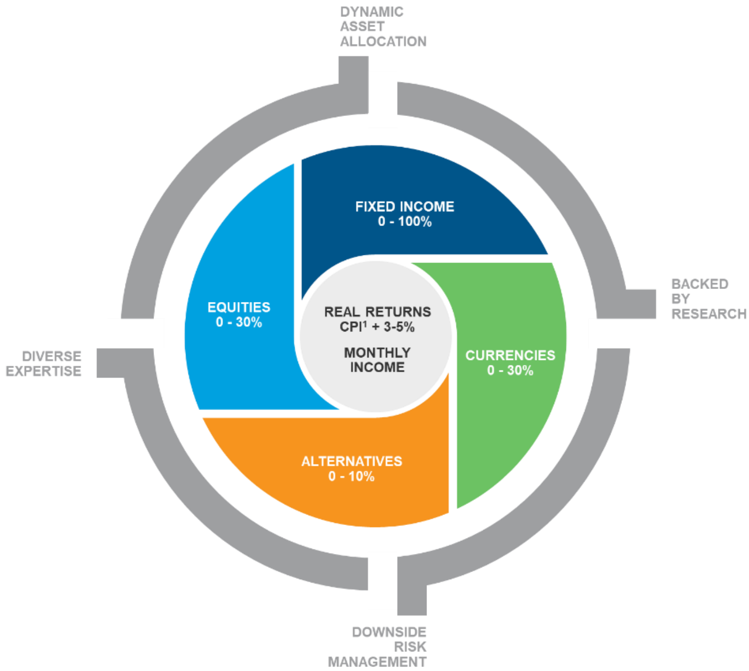
Credit spread duration	2.0 years
Interest rate duration	2.0 years

Fund performance to 30 September 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	-0.92	-0.98	0.00	-0.98	0.13
3 months (%)	1.32	1.14	0.01	1.13	0.50
1 year (%)	8.96	8.21	0.04	8.17	1.61
3 years (% pa)	9.29	8.51	0.78	7.73	1.47
5 years (% pa)	7.70	6.90	1.20	5.70	1.57
Since inception (% pa)	6.39	5.58	1.66	3.92	1.83

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.
Benchmark is Bloomberg AusBond Bank Bill Index.

Asset allocation



Sector	Security type	Fund (%)
Fixed income and cash	Investment grade credit	36.2
	Structured securities	3.1
	High yield credit / Emerging markets debt	15.3
	Cash and government bonds	17.2
Listed equities	Australian equities	14.8
	International equities	12.3
Alternatives	Alternative assets	1.1

Fund performance and positioning

The Fund delivered a negative return over the month, which was primarily driven by the Fund's allocation to growth assets.

Asset allocation changes

In September, International and Australian equities perform negatively, delivering -3.7% and -1.9%, respectively. The weakness was primarily driven by the concern of a potential systemic contagion risk of the Chinese property developer Evergrande, as well as a possible 'tapering' policy from the central banks. With regard to fixed interest, the sector also delivered a negative result, returning -1.5% domestically and -1.2% offshore, with long term interest rates moving higher throughout the month. Trading volume and market volatility was noticeably higher throughout the month across most major markets.

We continue to view growth assets as our preferred asset class, in an environment where monetary and fiscal policies remain accommodative, and inflation is rising. As such, we maintain an overall overweight bias to growth assets. We view contagion risk from the Chinese property sector as low and view the market reaction as overdone. With this in mind, we have continued to utilise a put option structure for our equity exposures in the Fund, to provide a capital buffer and manage the increased market volatility. Within the Fund's fixed income exposure, the core allocation in investment grade credit has continued to benefit from the supportive policy environment and has delivered cash-plus returns for the Fund. In interest rate duration positioning, we took the recent increase in interest rates as an opportunity to increase the Fund's overall interest rate duration exposure.

Asset allocation strategy and outlook

We continue to believe that fiscal policy, monetary policy and the trajectory of inflation will have a significant influence on asset prices for the foreseeable future.

In terms of monetary policy, it is likely the so called 'tapering' talk will continue to intensify and will eventuate in the coming months. There is little question that 'tapering' will continue to increase market volatilities in both equity and fixed income markets. However, we do not expect 'tapering' will trigger a meaningful shock to the current positive asset price momentum. 'Tapering' by definition is a slowing in central bank's asset purchases or put less 'gas' on the stimulus accelerator. Using a similar analogy, when we put less gas on the accelerator so to speak, the vehicle will continue to travel at an increasing speed, albeit accelerating at a slower pace. This means that even if the central banks were to taper, monetary policies remain extremely accommodative and subsequently supportive to asset prices.

In terms of China, there is increasing fear that the possible default of Evergrande highlighted growing risks to Chinese property developers. Market participants feared these risks would cause systematic issues to the financial system in China and subsequently impact asset prices negatively in China as well as internationally. In our view, given the nature of a highly centralised Chinese financial system, the risk of a significant deterioration to financial conditions in China remains low. Furthermore, given the very limited interaction and integration between China and international financial markets, we view contagion risk to international financial conditions as even smaller. Nevertheless, Evergrande's debt issue offers us some insight into the potential issues that investors could experience if the Chinese economic growth continues to slow.

Putting these together, the asset allocation strategy for the Fund continues focus on enabling investors to participate in growth assets as the 'chase for yield' theme is likely to persist, while at the same time protecting investors from the emerging stagflation risks and rising volatilities due to central bank tapering. To achieve this, our asset allocation strategy focusses primarily in two areas. Firstly, we continue to look for opportunities to acquire put option protection for equities whilst volatility is low and utilised these put options to not only help investors manage market volatilities but also enhance return when valuations improve. Secondly, within sector selection we continue to focus on exposures that will offer the best risk-adjusted outcome should market tail risks emerge. As such, we have maintained a high level of allocation to 'value' sectors, such as Australian equities, and an overweight to long-dated government bond exposures.

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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 macquarie.com