

### Investment objective

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

<sup>1</sup> 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	\$256.2m
Distribution frequency	Monthly
Management fee*	0.70% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	<a href="http://macquarie.com.au/unit_prices">macquarie.com.au/unit_prices</a>

\*Read the Product Disclosure Statement for more details on fees and costs.

### Fund statistics

Credit spread duration	2.0 years
Interest rate duration	3.0 years

### Fund performance to 31 October 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
<b>1 month (%)</b>	-1.05	-1.11	0.00	-1.11	0.17
<b>3 months (%)</b>	-0.85	-1.02	0.00	-1.02	0.70
<b>1 year (%)</b>	6.58	5.84	0.03	5.81	2.01
<b>3 years (% pa)</b>	9.22	8.45	0.73	7.72	1.58
<b>5 years (% pa)</b>	7.46	6.66	1.17	5.49	1.65
<b>Since inception (% pa)</b>	6.19	5.38	1.64	3.74	1.86

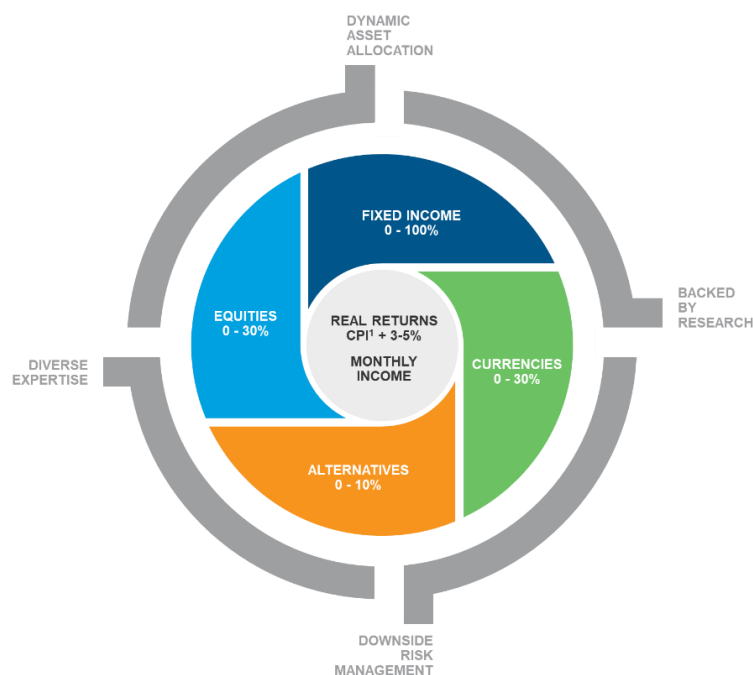
#### Past performance is not a reliable indicator of future performance.

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	35.1
	Structured securities	2.8
	High yield credit / Emerging markets debt	15.4
	Cash and government bonds	20.6
Listed equities	Australian equities	13.1
	International equities	11.9
Alternatives	Alternative assets	1.1

## Macquarie Real Return Opportunities Fund

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### Fund performance and positioning

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

### Asset allocation changes

In October, international and Australian equities performed positively, delivering +5.5% and +0.1%, respectively. The outperformance in international equities was largely driven by strong earnings results, particularly in the US. For Q3 2021, the blended earnings growth rate for the S&P was 39.1%. If 39.1% eventuates as the actual growth rate for the quarter, it will mark the third highest year-over-year earnings growth rate reported by the index since 2010. With regard to fixed interest, the sector delivered a negative result, returning -3.6% domestically and -0.1% offshore. The sell-off in fixed income markets was initially triggered by a globally led shift in sentiment around inflation and more hawkish central banks offshore, Australian rates materially underperformed other regions given the lack of liquidity and dysfunction in the market.

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 particularly in Australia.

### 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 putting 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. What we observed during October was a significant increase in bond market volatility. In our view, the volatility will persist. We view such volatility, as well as the lack of liquidity in segments of the fixed income market, as an opportunity to accumulate fixed income exposures at more attractive valuation levels.

In terms of China, there is increasing fear that the possible default of Evergrande highlighted growing risks to Chinese property developers. In our view, 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 Chinese economic growth continues to slow.

Putting this 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 Australian government bond exposures.

# Macquarie Real Return Opportunities Fund

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**For more information speak to your financial adviser, call us on 1800 814 523, email [mim.clientservice@macquarie.com](mailto:mim.clientservice@macquarie.com) or visit [macquarie.com](http://macquarie.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.

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