

### 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	\$311.0m
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	2.7 years

### Fund performance to 31 December 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
<b>1 month (%)</b>	1.11	1.05	0.00	1.05	0.17
<b>3 months (%)</b>	0.67	0.49	0.01	0.48	0.70
<b>1 year (%)</b>	4.90	4.18	0.03	4.15	2.01
<b>3 years (% pa)</b>	10.48	9.70	0.63	9.07	1.58
<b>5 years (% pa)</b>	7.65	6.85	1.11	5.74	1.65
<b>Since inception (% pa)</b>	6.28	5.47	1.61	3.86	1.86

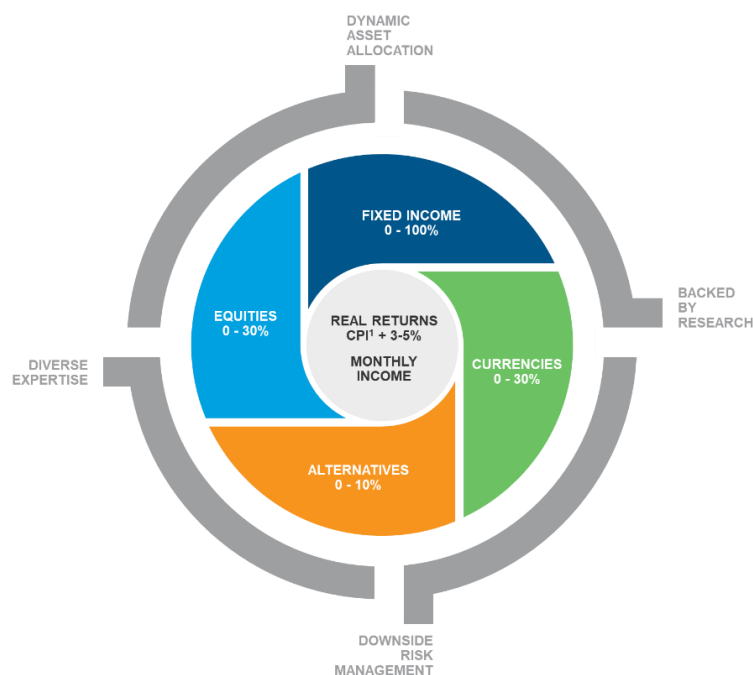
#### Past performance is not a reliable indicator of future performance.

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	37.7
	Structured securities	2.4
	High yield credit / Emerging markets debt	15.9
	Cash and government bonds	21.8
Listed equities	Australian equities	10.9
	International equities	10.4
Alternatives	Alternative assets	0.9

## Macquarie Real Return Opportunities Fund

Monthly report – 31 December 2021

### Fund performance and positioning

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

### Asset allocation changes

In December, international and Australian equities performed positively, contributing +2.7% and +3.9%, respectively. The positive performance in equity markets was driven by a combination of the 'Omicron' variant, which appears to have milder symptoms, as well as supportive market technicals. With regard to fixed interest, the sector delivered a mixed result, returning +0.1% domestically and -0.9% offshore.

In our view, there are two areas of concern that we need to address in formulating portfolio positioning; firstly, the asset allocation impact if the Omicron strain poses significant health challenges globally from an economic recovery perspective; and secondly, the asset allocation implication whilst global central banks continue their tightening policies trajectory. With careful consideration, we have scaled back the Fund's growth asset allocation moderately. We continue to expect economic recovery globally to be uneven due to the Omicron, and other potential Covid-19, variants. We expect the virus will also continue to pose significant challenges to global supply chains. Subsequently resulting in an increase in the duration and severity of inflation, leading to higher volatilities in both growth and defensive assets.

### Asset allocation strategy and outlook

The fast-spreading Omicron variant has three major short-term implications. Firstly, the Omicron outbreak further interrupted the already impaired global supply chain which will likely create higher inflation in the near term. Secondly, workforce absences as well as waning fiscal support will function to slow economic recovery in the short-term. Thirdly, the fast-spreading Omicron variant increases the chance of further mutation of the virus. These factors will likely lead to a higher inflation, creating further volatilities to both growth and defensive assets. Furthermore, a more transmissible virus variant will likely challenge China's zero-covid policy. A potential outbreak in China or a longer duration 'lock-down' may dampen the already weakening economic growth in China, subsequently impacting global growth as well as global supply chains.

In terms of monetary policy, if global central banks are to continue to taper to curb inflation and economies remain in a moderate to high inflation environment, we would expect growth assets to continue to perform positively, so long as the pace of policy tightening is modest. It is important to recognise that 'tapering' is to reduce the current monetary stimulus effort, however, the overall policy direction still remains stimulatory with central bank balance sheet continuing to expand, albeit at a slower pace. In light of this, market volatilities in both equity and fixed income markets are likely to increase. However, if global central banks were to increase interest rates to curb inflation, we would expect a reduction in the liquidity of asset markets and subsequently result in a negative impact to both growth and defensive assets.

Putting this together, the asset allocation strategy for the Fund continues to 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 and interest rate rises. 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 have 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 reduced the Fund's growth asset allocation in light of rising volatilities and also maintained a high level of allocation to 'value' sectors, such as Australian equities.

## 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**

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