

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 30 April 2022

Investment objective

Aims to provide positive returns of 3% to 5% per annum above Australian inflation¹ 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	\$380.9m
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	2.1 years
Interest rate duration	3.0 years

Fund performance to 30 April 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	-1.50	-1.56	-0.02	-1.54	0.30
3 months (%)	-2.77	-2.94	-0.01	-2.93	1.40
1 year (%)	-1.69	-2.37	0.02	-2.39	3.65
3 years (% pa)	6.19	5.46	0.40	5.06	2.11
5 years (% pa)	5.89	5.11	0.99	4.12	1.93
Since inception (% pa)	5.42	4.62	1.55	3.07	2.03

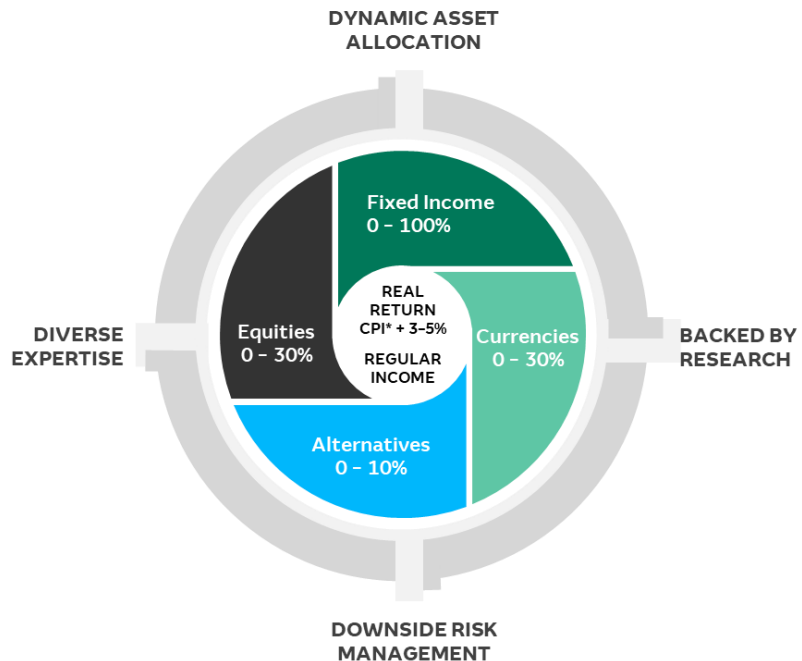
Past performance is not a reliable indicator of future performance.

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	38.1
	Structured securities	3.3
	High yield credit / Emerging markets debt	13.2
	Cash and government bonds	16.7
Listed equities	Australian equities	10.3
	International equities	8.6
Alternatives	Alternative assets	9.8

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Fund performance and positioning

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

Asset allocation changes

In April, International and Australian equities performed negatively with significant volatility, detracting -3.3% and -0.8%, respectively. With regard to fixed interest, the sector continued to deliver a negative result, returning -1.4% domestically and -2.8% offshore. Market sentiment continued to dampen during the month, driven by the economic impact from the Russia-Ukraine conflict, renewed public health measures in China and the trajectory of monetary policy. Throughout April, we continued to observe significant volatility across different asset markets, with wide trading ranges for most.

In April, we maintained a high level of put option protection in the US equity markets. The Fund continued to use option structures to enable the accumulation of equity exposure later in the month, as market valuations continued to improve throughout the month. We increased the Fund's alternative asset allocation from 7.5% to 10%. The Fund also continued to increase its fixed income holding, concentrated in the 3 year part of the Australian yield curve, where the yield surpassed 3%.

We expect the volatility experienced year to date in both defensive and growth assets to persist for a significant period of time. This continues to present both opportunities and challenges for the Fund. We see the increase in interest rates as now at an attractive level. The income-generating and capital buffer capacity in fixed income assets globally has significantly improved. The opportunity is highlighted by the short end of the domestic yield curve, where due to the high level of Australian household debt and the sensitivity of mortgage payments to changes in interest rates we view the current market pricing as overdone.

In the coming months, we are poised to position the Fund more defensively and will likely to continue to accumulate fixed income assets.

Asset allocation strategy and outlook

Throughout 2021 and early 2022 we have remained alert to two major risk factors. First, the risk of stagflation and second, the risk of further public health measures to curb COVID-19 in China. In our view, both risks have materialised, and are likely to have a significant impact on the global economy, the current world order, living standards around the globe, and global asset prices. In our view, the likely outcome of these two risks materialising is a notable decline in living standards and an increase in poverty rates. We expect these to subsequently elevate the risks of social unrest, dampening economic activity and asset valuations globally.

We expect significant global supply chain disruptions to continue due to the ongoing Russia-Ukraine conflict, as well as the lockdown in Shanghai. Whilst we don't have a strong view with respect to the trajectory of the Russia-Ukraine conflict, it appears likely to persist for some time. In China, so long as the 'dynamic zero' policy is enforced, we expect further large-scale lockdowns in major Chinese cities to be inevitable and frequent. As a result, we expect current shortages in products such as silicon chips and cars to persist, if not worsen. We also anticipate that shortages in various essential products, such as fertilisers, wheat, cooking oils and rice, will eventually emerge. With respect to essential supplies, various countries may be incentivised to hoard supplies amidst shortages and elevated prices. For example, Indonesia, which up until recently supplied a third of the world's palm oil, has recently elected to ban all exports of the product to ensure the security of supplies domestically. Such export bans are inflationary, and the non-discretionary nature of these products will ultimately result in the overrepresentation of staple expenditure within household budgets, dampening global consumption and growth. This, in our view, greatly elevates the risk of a severe global stagflation scenario materialising.

Market participants continue to price in the aggressive removal of accommodative central bank policies. In a financial system substantially loaded with debt, coupled with declining fundamentals, a rise in interest rates most probably leads to a few predictable outcomes – namely, increased credit risks, and downward pressure on corporate earnings, which may weaken economic growth and labour markets. When coupled with abnormally high asset valuations, these may result in wide-spread downward revaluations across all asset classes. However, in our opinion, it is unlikely that global central banks can hike rates aggressively due to the size of debt, weakening demand and corporate earnings outlook. As a result, we see the current level of interest rates and the shape of the yield curve as presenting opportunities to the fixed income space. Subsequently, our Fund is positioned accordingly to help to capitalise these opportunities.

Developments in the month of April continue to reinforce our view that the outlook for returns in both growth and defensive assets will be challenged in 2022, necessitating the positioning of the Fund in a more defensive manner in the coming months. Uncertainties in inflation in a rising interest rate environment will likely spark higher volatility. In navigating this uncertain environment, we continue to implement a diversified portfolio, including an expanded allocation to alternatives, adopting a highly flexible asset allocation process, with a view to notably increase the allocation to fixed income securities in the coming months, as these begin to offer increasingly attractive yields.

Whilst we see significant challenges in the coming months, we will continue to use all the tools that we have in our disposal to combat these challenges and help investors to achieve their long-term investment outcome.

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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 macquarieim.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. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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