

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 30 June 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	\$389.9m
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	2.0 years
Interest rate duration	3.5 years

Fund performance to 30 June 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	-3.03	-3.09	0.05	-3.14	0.30
3 months (%)	-4.96	-5.12	0.07	-5.19	1.40
1 year (%)	-6.36	-7.01	0.10	-7.11	3.65
3 years (% pa)	4.12	3.40	0.33	3.07	2.11
5 years (% pa)	5.05	4.28	0.95	3.33	1.93
Since inception (% pa)	4.88	4.09	1.53	2.56	2.03

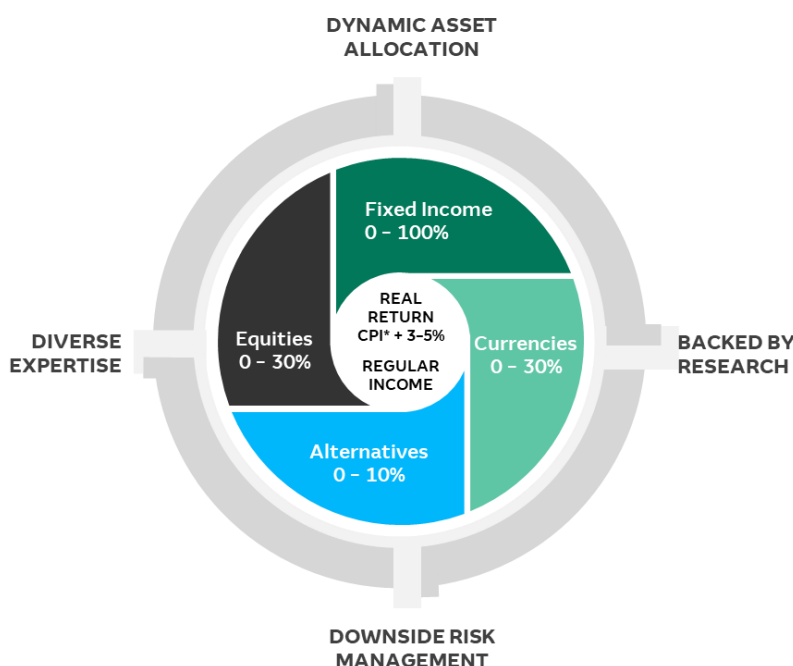
Past performance is not a reliable indicator of future performance.

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	39.1
	Structured securities	3.3
	High yield credit / Emerging markets debt	11.9
	Cash and government bonds	29.6
Listed equities	Australian equities	1.5
	International equities	5.2
Alternatives	Alternative assets	9.4

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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 change

In June, hedged international and Australian equities performed negatively with significant volatility, detracting -8.1% and -8.9%, respectively. With regard to fixed interest, the sector continued to deliver a negative result, returning -1.5% domestically and -1.3% offshore. Market sentiment continued to dampen driven by heighten inflation and the aggressive monetary policy tightening trajectory. Throughout June we continued to observe significant volatility across different asset markets, with wide trading ranges for most. In the past 6 months, both defensive and growth assets have experienced significant drawdowns, performing with a correlation close to 1. We do not believe this relationship can be sustained in the coming months as market participants start to price in a greater risk of recession. As a result, our defensive asset allocation will perform a key role within our Fund.

In June, we continued to conduct board base reduction in our fund's equities exposure. The put option structures in Australian share market employed by the fund helped capitalise on changes in market volatility.

We continue to expect further downside risks to growth assets to persist. As a result, we have moved our equity allocation to sub-10%, with reductions across both Australian and international equities. We anticipate our equity exposure may be further reduced over the coming months. We expect that the defensive bias in our Fund is likely to persist over the medium term unless the trajectory of global monetary policy tightening shifts less aggressive. During the month, the yield on long term Australian government bonds peaked above 4%, which we utilised as an opportunity to accumulate fixed income exposure in the Fund.

Asset allocation strategy and outlook

Recent economic releases indicated that global inflation continues to surprise to the upside. Global central banks have started aggressive monetary tightening via hiking cash rate and shrinking balance sheets – namely quantitative tightening. Global financial markets have responded with lower asset price valuations, as a result of tightening financial conditions.

Despite the aggressive monetary tightening, the inflation trajectory remains well above global central banks' price stability target. Importantly, global economic growth, retail sales as well as production indices all starting to show signs of weakening. In a financial system flushed with debt, coupled with a potential decline in fundamentals, as well as a rise in interest rates will likely lead to increased credit risks, and downward pressure on corporate earnings, which may weaken economic growth and labour markets. In our view, the 'correction' experienced in growth asset markets year to date has not yet fully priced in these risks. As a result, we see further downside risk to growth asset returns. On the other hand, in an environment where economic growth, earnings and labour market conditions are deteriorating we struggle to see how central banks would be able to continue their aggressive monetary tightening trajectory. As a result, we see opportunities emerging within fixed income markets pertaining to the current level of interest rates and the shape of the yield curve.

The market developments throughout June reinforce our view for a challenging outlook for both growth and defensive assets in 2022. In our view, the faster, higher and broader the central bank rate hikes the greater the probability for recession. 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 continue to increase the allocation to fixed income securities in the coming months, as these begin to offer increasingly attractive yields.

We anticipate further downside risks ahead and accordingly are positioning our portfolio defensively. We believe by focusing on income generation as well as capital protection will offer us ample room to rotate the portfolio offensively should such opportunities arise. We believe that this approach is appropriate based on our expectations for inflation, monetary policies, and economic growth.

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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 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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