

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 31 July 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	\$413.0m
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 duration	2.0 years
Interest rate duration	3.8 years

Fund performance to 31 July 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	3.49	3.43	0.12	3.48	0.41
3 months (%)	-0.14	-0.32	0.21	-0.16	1.50
1 year (%)	-4.16	-4.83	0.22	-4.19	4.99
3 years (% pa)	4.86	4.14	0.33	4.86	2.62
5 years (% pa)	5.66	4.89	0.94	5.66	2.22
Since inception (% pa)	5.24	4.45	1.53	5.24	2.19

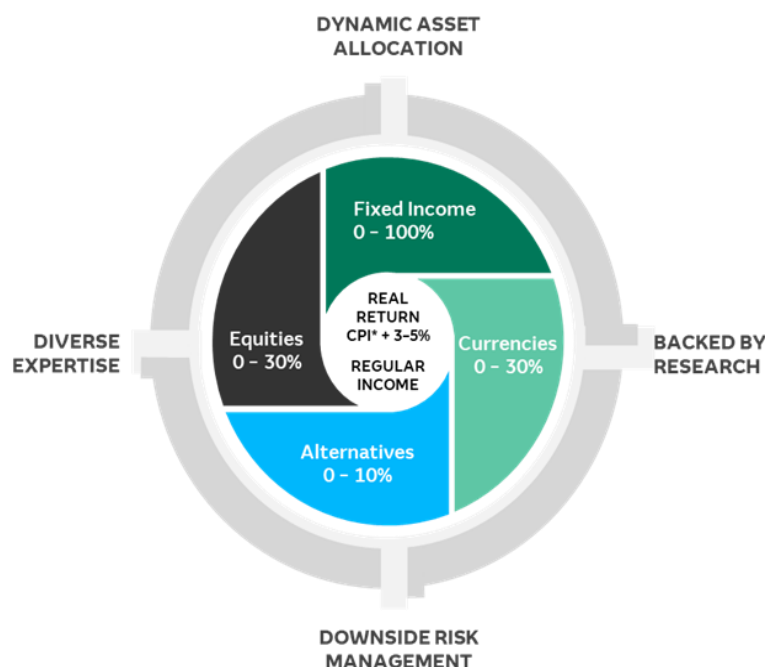
Past performance is not a reliable indicator of future performance.

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	44.5
	Structured securities	3.1
	High yield credit / Emerging markets debt	11.2
	Cash and government bonds	24.7
Listed equities	Australian equities	2.6
	International equities	4.2
Alternatives	Alternative assets	9.7

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Fund performance and positioning

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

Asset allocation changes

In July, hedged international and Australian equities performed positively with reduced volatility, contributing 8.0% and 6.0%, respectively. With regard to fixed interest, the sector also delivered a significant positive result, returning 3.4% domestically and 2.1% offshore. Market sentiment improved during the month, driven by lower commodities prices, positive corporate earnings and optimism around the possibility of possible more dovish monetary policy than expected. In July, we also started to observe market participants beginning to price in recession risks. As a result, defensive assets started to perform positively. Surprisingly, growth asset also responded well to a possible more dovish trajectory of the interest rate policies. In a recessionary scenario, we struggle to see continued positive performance from growth assets.

In July, we continued to conduct board base reduction in our Fund's equity exposure. The put option structures employed in the Fund across both Australian and international equities aim to capitalise on changes in market volatility.

We continue to expect further downside risks to growth assets to persist for a significant period of time. As a result, we have moved our portfolio close to its maximum defensive. 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.

Asset allocation strategy and outlook

Commodities prices have eased off their highs due to global growth concerns and optimism regarding the grain shipment agreement between Russia and Ukraine. Recent economic releases, however, continue to indicate that global inflation continues to trend upwards, well above central banks' price stability targets. Furthermore, global central banks have continued aggressive monetary tightening through increasing cash rates aggressively and shrinking balance sheets – namely via quantitative tightening.

Global economic growth, retail sales, as well as and production indices continued to show signs of further weakening. A financial system flushed with debt, coupled with declining fundamentals and rising interest rates, will likely lead to increased credit risks, and downward pressure on corporate earnings, which may weaken economic growth and labour market conditions. The rising cost of living and declining real wages will likely lead to a decline in living standards and an increase in the poverty rate. This may lead to political uncertainties and geo-political tensions. Indeed, recent developments in UK, Japan, China and emerging countries reinforced such hypotheses. 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 risks 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. Therefore, we see opportunities emerging in fixed income markets, which have been brought about by the current level of interest rates and the shape of the yield curve.

Despite the strong rebound in growth and defensive asset in July, central bank policies and economic indicators throughout July continue to reinforce our view for a challenging outlook for both growth and defensive assets in 2022. In our view, faster and sharper cash rate movements will elevate the probability of a global recession and speed up the pace at which it unfolds. In navigating this uncertain environment, we are poised to de-risk the Fund further if this global recession scenario unfolds.

We anticipate further market volatility ahead in the coming months, as each economic data print is likely to be closely watched for clues on how it may impact central banks' monetary policy decisions and subsequent repricing of recession risk. Accordingly, we are maintaining a focus on protecting the downside. We believe that this mentality 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 AFSL 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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