

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 31 October 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	\$445.8m
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	1.6 years
Interest rate duration	4.4 years

Fund performance to 31 October 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	1.73	1.67	0.24	1.43	0.50
3 months (%)	-1.33	-1.51	0.54	-2.05	1.80
1 year (%)	-4.63	-5.30	0.75	-6.06	6.14
3 years (% pa)	3.85	3.13	0.43	2.70	3.06
5 years (% pa)	4.92	4.17	0.97	3.20	2.48
Since inception (% pa)	4.94	4.15	1.54	2.61	2.33

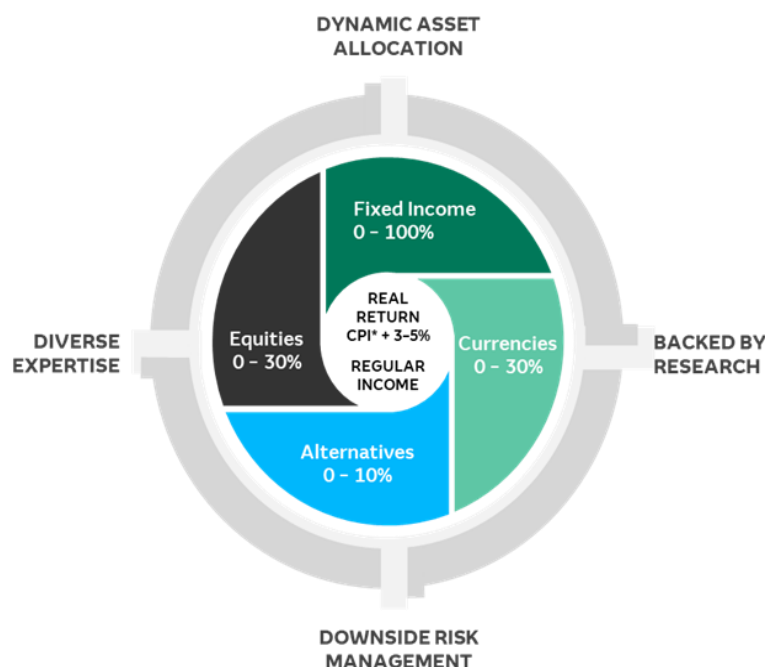
Past performance is not a reliable indicator of future performance.

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	44.9
	Structured securities	3.1
	High yield credit / Emerging markets debt	10.1
	Cash and government bonds	27.9
Listed equities	Australian equities	4.2
	International equities	0.0
Alternatives	Alternative assets	9.8

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 31 October 2022

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 October, hedged international and Australian equities delivered strong performance with increased volatility, contributing +7.2% and contributing 6.0%, respectively. With regard to fixed interest, the sector delivered a mixed result, returning +0.9% domestically and -0.4% offshore. Finally, our global real estate and global infrastructure asset also delivered a positive result with +3.1% and +3.3% respectively.

Asset prices exhibited high levels of volatility during the month but ended on a positive note. The volatility was driven by mixed corporate earnings, expectations of changes in inflation indicators and monetary policy, as well as geo-political developments.

Within our Fund, we remained close to the maximum level of defensiveness. We expected that the Fund may need to weather heightened volatility given the current market conditions. It is important to note that our defensive bias is strategic. This will likely persist for some time, unless the trajectory of global monetary tightening becomes notably less aggressive.

We took profits on some of our allocation in Australian inflation-linked bonds. Our inflation-linked bonds allocation has generated significant income for our Fund due to the high quarterly inflation print. As the Reserve Bank of Australia (RBA) slowed its hiking trajectory from 50bps a month to 25bps, Australia's long term inflation expectation increased sharply. This movement translated into a large capital gain in our inflation-linked bonds position.

Asset allocation strategy and outlook

In October, there were several important macroeconomic developments. Firstly, corporate earnings overall were weaker, albeit still generally in the positive territory. Secondly, the Chinese economy slowed due to COVID-zero policies, which in turn will weaken global growth. The 20th National Congress of the Chinese Communist Party concluded during the month, with the consolidation of Xi's power and re-affirmation of China's ongoing COVID-Zero policy being the most relevant highlights. As a result, we expect the frequency and duration of COVID lockdowns to increase as winter commences. We believe this will translate into a continued weakening of the Chinese economy, and further supply chain disruptions. Thirdly, signs of stabilising inflation, and increased stress on the financial system may prompt the US Federal Reserve to 'pivot' from its larger hikes. This may offer a brief respite to asset prices. It is important to recognise that hiking interest rates at a slower pace should not be viewed as an easing of monetary policy, but simply a slower rate of tightening. As a result, global financial conditions will likely deteriorate due to the higher level of the risk-free rate. Finally, the developments in the UK demonstrated our long-held view that economic and political tail risks had grown materially and will continue to grow as rates continue to rise.

In terms of economic development, the level of inflation is stabilising around the globe. The US Personal Consumption Expenditures (PCE) index, seemed to show some encouraging signs of a potential stabilisation. There seems to be a growing body of evidence that inflationary pressures, particularly in the US, are now driven primarily by services and housing, instead of goods. Our takeaway from this is two-fold. First, the risk of continued increases in the rate of inflation has been reduced. Second, a higher rate of continued inflation will be more persistent than we had initially anticipated. The latest US inflation figures have significant implications for the Federal Reserve's monetary policy trajectory. Indeed, as Jeremy Powell indicated in his November press conference, "incoming data since our last meeting suggests that the ultimate level of interest rates will be higher than previously expected...and stay higher."

We have previously commented that we believed higher, faster increases in cash rates may elevate economic and geopolitical risks across the globe. With several major developed markets currencies having depreciated significantly against the US dollar in recent months, and weaker liquidity across global markets, we believe the likelihood of a negative tail risk event has increased significantly as cash rates have crept higher. We see these risks as being compounded by expectations of higher peak interest rates, which are also expected to persist for longer. To sum up, the macro-developments in October continue to reinforce our market outlook that significant downside risks to growth assets remain.

We anticipate further market volatility in the coming months, as each economic data print is likely to be closely watched for signals on how it may impact monetary policy decisions, and prompt subsequent repricing of recession risk. We are maintaining a focus on protecting the Fund to the downside. We believe that this mentality is appropriate based on our expectations for inflation, monetary policies, and economic growth.

Macquarie Real Return Opportunities Fund

(formerly Macquarie Multi-Asset Opportunities Fund)

Monthly report – 31 October 2022

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.

The above information is not personal advice and does not take into account the investment objectives, financial situation or needs of any person. Please review the Target Market Determination for the Fund available at macquarieim.com/TMD and consider if the Fund may be suitable for you. Investors should consider the offer document relating to the Fund in deciding whether to acquire or continue to hold units in the Fund. The offer document is available by contacting us on 1800 814 523. Past performance is not a reliable indicator of future performance. Future results are impossible to predict. This report includes opinions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Forward-looking statements constitute the investment manager's judgement as at the date of preparation of this report and are subject to change without notice.

In preparing this document, reliance may have been placed, without independent verification, on the accuracy and completeness of information available from external sources. To the maximum extent permitted by law, no member of the Macquarie Group nor its directors, employees or agents accept any liability for any loss arising from the use of this document, its contents or otherwise arising in connection with it.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank"), any Macquarie Group entity noted in this material is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these other Macquarie Group entities do not represent deposits or other liabilities of Macquarie Bank. Macquarie Bank does not guarantee or otherwise provide assurance in respect of the obligations of these other Macquarie Group entities. In addition, if this document relates to an investment, (a) the investor is subject to investment risk including possible delays in repayment and loss of income and principal invested and (b) none of Macquarie Bank or any other Macquarie Group entity guarantees any particular rate of return on or the performance of the investment, nor do they guarantee repayment of capital in respect of the investment.

Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg") are not affiliated with Macquarie and do not approve, endorse, review, or recommend the Portfolio. Bloomberg and the Bloomberg AusBond Index or Indices referred to in this document are trademarks or service marks of Bloomberg and have been licensed to Macquarie. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Bloomberg AusBond Index or Indices referred to in this document.