Macquarie Investment Management

Macquarie Multi-Asset Opportunities Fund

Monthly report – 31 May 2021

Investment objective

Aims to provide positive returns of 3% to 5% per annum above Australian inflation[1] 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	$187.1m
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

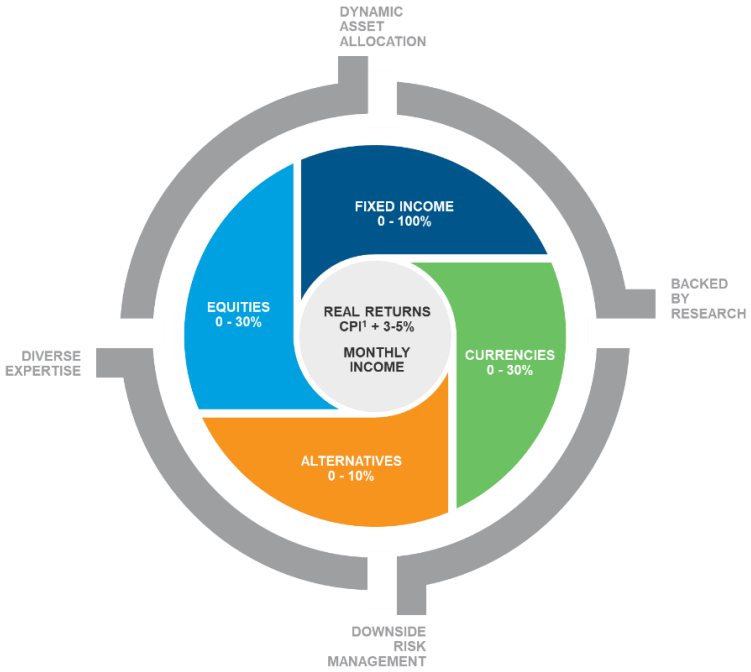
Credit spread duration	2.0 years
Interest rate duration	1.4 years

Fund performance to 31 May 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)	Australian inflation
1 month (%)	0.41	0.36	0.00	0.36	0.08
3 months (%)	3.10	2.92	0.01	2.91	0.30
1 year (%)	8.72	7.97	0.06	7.91	1.00
3 years (% pa)	9.21	8.42	1.01	7.41	1.37
5 years (% pa)	7.67	6.86	1.33	5.53	1.53
Since inception (% pa)	6.38	5.56	1.73	3.83	1.79

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	34.3
	Structured securities	3.6
	High yield credit / Emerging markets debt	12.6
	Cash and government bonds	26.9
Listed equities	Australian equities	10.8
	International equities	10.5
Alternatives	Alternative assets	1.3

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Fund performance and positioning

The Fund delivered a positive return over the month, primarily driven by the Fund's growth asset exposure.

Asset allocation changes

Whilst the impact of COVID-19 is not worsening in India, the new variant has started impacting some emerging market countries that were praised in their handling of COVID-19 in 2020. Malaysia imposed a near-total lockdown after virus cases soared. More than half of the 6,396 COVID-19 cases reported in Vietnam since the pandemic began were recorded in May, according to Johns Hopkins University. While the tragedies of more virus victims dominate headlines, it is also important to recognise that the economic damage from the lock down, permanent loss of productivity, as well as supply chain and international labour market interruption will be felt for the months to come. Further short-term inflation pressure is likely to increase if the COVID-19 situation continues to worsen in emerging counties, interrupting the supply chain and subsequently the prices of goods and services. While the consensus market narrative has been primarily focused on the supportive monetary and fiscal policies, economic recovery and chase for yield, it is important to stress that the recovery is underpinned by a significant build-up in public debt and the threat of COVID-19 to broad-based economic recovery remains. Within the Fund, we have maintained a lower allocation to the growth asset's and implemented equity downside protection.

Asset allocation strategy and outlook

The result of continuous monetary and fiscal support as well as the vaccine roll-out, has been a short term rebound in economic activity, increasing asset prices and steepening yield curves. However, embedded within this asset price increase is rising volatilities across both equities and fixed income, as market participants try to gauge the different market dynamics in the post COVID-19 environment. Fiscal policy, monetary policy and the trajectory of inflation will have significant impact on asset prices for the years to come.

In terms of fiscal policy, we continue expect that a scenario in which the proposed US infrastructure bill is fully funded by additional borrowing is unlikely. In regard to monetary policy, easing will continue however, it is unlikely that central banks will increase the easing efforts from here. As a result, we expect market participants will continue to price in a higher probability for the trajectory of tightening policies such as 'tapering', posing a headwind for equities.

With respect to inflation, the price for goods and services continues to be interrupted by the surge in demand, due to economic reopening (demand-pull forces) and supply chain interruption (cost-push forces). We believe by mid-2022 the force from demand-pull will likely subside as the re-opening impulse fades. However, the worsening COVID-19 situation in emerging countries warrants careful monitoring in the coming months as it may further interrupt the global supply chain. Finally, rising inflation expectations are likely to be another force pushing short term cyclical inflation higher. This is likely to negatively impact fixed income markets and generate higher volatility in equity markets. Ultimately, we believe the current inflation pluses are transitory.

We expect long term growth to continue to remain weak, due to high levels of debt and a lack of productivity growth. As such, we anticipate cash rates will remain at historic lows.

Putting this together, the 'chase for yield' theme is likely to persist for the coming years, aiding equity performance. However, due to the lack of further fiscal and monetary support, higher probability of tightening policies and rich valuation, markets are unlikely to repeat the performance of the past 12 months. In May, we maintained a moderate amount of growth assets, in light of rich valuations and increasing tail risks. Within our growth asset allocation, we maintained an underweight position to European equities, with an overweight bias to domestic and US equities. To enhance the Fund's downside protection capability, we continue to hold equity option contracts.

For more information speak to your financial adviser, call us on 1800 814 523, email mim.clientservice@macquarie.com or visit macquarie.com

Important information

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