

**MACQUARIE ASSET MANAGEMENT**

# Macquarie Australian Fixed Interest Fund

## Seeking to deliver consistent excess returns in Australian fixed income

Using multiple low-risk strategies adaptable across different market conditions, the Macquarie Australian Fixed Interest Fund (Fund) seeks to deliver consistent excess returns by actively capitalising on the best opportunities available in local fixed income markets.

**Clear philosophy**

Avoid negative surprises and ensure risk is rewarded

**Seeking consistent alpha**

Multiple low-risk strategies adaptable across market conditions

**Diversification**

Potential for diversification against equity market risk

# Macquarie Australian Fixed Interest Fund

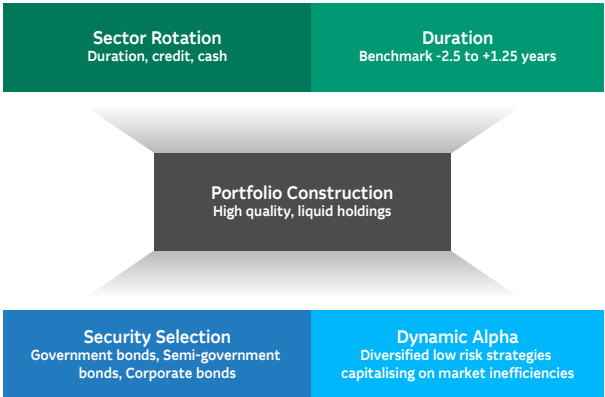
Macquarie Asset Management

## Clear philosophy

The Fund is backed by a clear and simple investment philosophy of preserving capital and managing liquidity. This focus is the result of years of extensive in-house research supporting our investment processes, and recognising we are managing the defensive part of investors’ portfolios.

Implementing this philosophy is an experienced team of investment professionals. We employ a disciplined approach utilising rigorous proprietary processes and the full spectrum of opportunities available in local fixed income markets, seeking to deliver consistent long-term excess returns (i.e. alpha).

Consistent with our bias for capital preservation, we focus on active management in seeking to avoid negative surprises. This involves using multiple low-risk strategies rather than taking large concentrated bets, and observing a strong respect for liquidity risk which directly influences all of our investment decisions.



## Alpha sources – maximising diversification potential

|               |                    |                                                                                     |
|---------------|--------------------|-------------------------------------------------------------------------------------|
| Alpha Sources | Sector Rotation    | Active sector allocation based on relative value                                    |
|               | Duration           | Benchmark-aware approach to duration, with cost effective implementation            |
|               | Security Selection | Selecting our preferred issuers and maturities across all sectors                   |
|               | Dynamic Alpha      | Using multiple adaptable low-risk strategies to capitalise on market inefficiencies |

## Consistent alpha

Our research shows traditional core Australian fixed income solutions tend to rely on large, concentrated strategies to reach their target returns. For investors, a typical consequence of this approach is lower consistency of alpha.

Our approach is different. We focus on generating consistent long-term alpha by using multiple, diversified low-risk strategies. To maximise diversification potential, we implement these strategies across four different alpha sources – sector rotation, duration, security selection and dynamic alpha.

By continuously adapting the strategies to optimise value from prevailing market conditions, investors gain access to a core Australian fixed income solution with potential for consistent alpha across all market cycles.

## Diversification

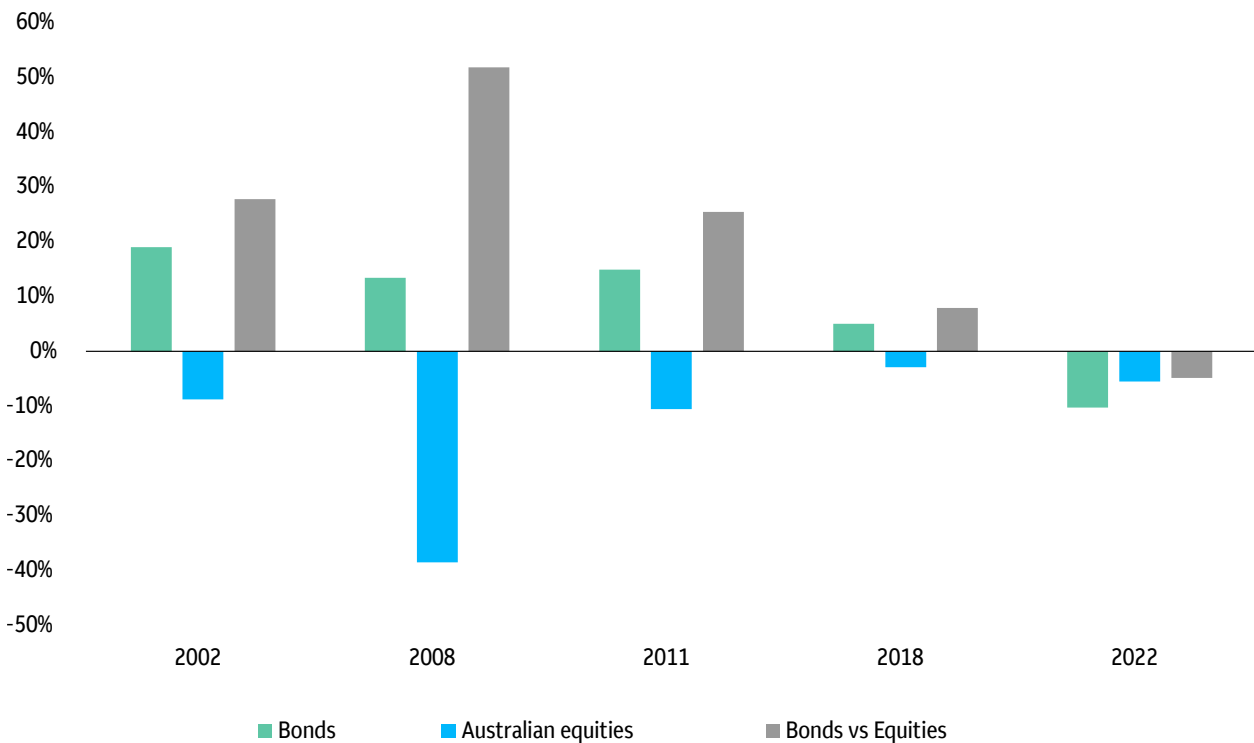
Investing in the Fund can help balance the risk of investing in equities, providing valuable diversification benefits during equity market downturns. This is because bonds have historically had low to negative correlation to equities, meaning their performance patterns tend to either have no significant relationship or be opposite, ie move in the opposite direction at the same time.

The benefit of diversification and low correlation can also be seen in the chart below, which highlights calendar years where the performance of bonds offsets negative equity returns. As illustrated in the chart, in most equity market downturns over the last 20 years, bonds have outperformed equities.

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## Performance offset between bonds and equities



Past performance is not a reliable indicator of future performance and the performance of bonds may not necessarily offset the performance of equities in future years where equity returns are negative. Source: Chart: Bonds - Bloomberg Ausbond Treasury Index; Australian equities - ASX 200 from 1996 - 2023. The chart above shows all calendar years from 1996 to 2023 where the performance of the ASX 200 has been negative.

## What is correlation?

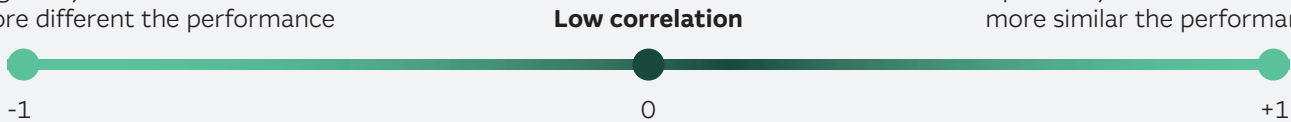
- **Positive correlation:** performance tends to move in the same direction at the same time
- **Negative correlation:** performance tends to move in the opposite direction at the same time
- **Low correlation:** performance moves randomly and has no significant relationship.

### Negative correlation

The closer to -1, the more negatively correlated and the more different the performance

### Positive correlation

The closer to +1, the more positively correlated and the more similar the performance



## About Macquarie Asset Management

Macquarie Asset Management has been managing cash and fixed income portfolios since 1980. Macquarie Fixed Income has grown to be one of Australia's largest, active fixed income managers, with a team of over 100 dedicated investment professionals globally.

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## Target investors

The Target Market Determination (**TMD**), available at [macquarie.com/mam/TMD](https://macquarie.com/mam/TMD), includes a description of the class of consumers for whom the Fund is likely to be consistent with their objectives, financial situation and needs.

## Risks

All investments carry risk. Different investments carry different levels of risk, depending on the investment strategy and the underlying investments. Generally, the higher the potential return of an investment, the greater the risk (including the potential for loss and unit price variability over the short term). The risks of investing in this Fund include:

**Investment risk:** The Fund seeks to generate higher income returns than traditional cash investments. The risk of an investment in the Fund is higher than an investment in a typical bank account or term deposit. Amounts distributed to unitholders may fluctuate, as may the Fund's unit price, by material amounts over short periods.

**Income securities risk:** The Fund may have exposure to a range of income securities. The value of these securities may fall, for example due to market volatility, interest rate movements, perceptions of credit quality, supply and demand pressures, a change to the reference rate used to set the value of interest payments, market sentiment, or issuer default.

**Credit risk:** The value of the investments that the Fund has exposure to may be sensitive to changes in market perceptions of credit quality, both of individual issuers and of credit markets in general. Deteriorations in the market's perception of credit quality may negatively impact the values of such securities, and hence the Fund's unit price.

**More information on the risks of investing in the Fund is contained in the Product Disclosure Statement, which should be considered before deciding to invest in the Fund.**

For more information, call us on 1800 814 523,  
email [mam.clientservice@macquarie.com](mailto:mam.clientservice@macquarie.com), or visit [macquarie.com/mam](https://macquarie.com/mam)

## Important information

The Fund(s) mentioned above may have multiple classes of units on issue. A separate class of units is not a separate managed investment scheme.

This information has been prepared by Macquarie Investment Management Australia Limited (ABN 55 092 552 611 AFSL 238321) the issuer and responsible entity of the Fund(s) referred to above. This is general information only and does not take account of investment objectives, financial situation or needs of any person and before acting on this information, you should consider whether this information is appropriate for you. In deciding whether to acquire or continue to hold an investment in a Fund, an investor should consider the product disclosure statement for the relevant class of units in a Fund, if any, and the Website Disclosure Information available at [macquarie.com/mam](https://macquarie.com/mam) or by contacting us on 1800 814 523.

Past performance information is for illustrative purposes only and is not a reliable indicator of future performance. Current performance information for each class of units in the Fund is available on our website at [macquarie.com/mam/au-performance](https://macquarie.com/mam/au-performance).

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