MACQUARIE

MACQUARIE ASSET MANAGEMENT

An erosion of trust in an era of national policy musts?

Fixed Income Strategic Forum 2025 | Issue 01

Brett Lewthwaite | CIO and Head of Fixed Income

Introduction

Our first Strategic Forum of 2025 provided an opportunity to pause, take a breath, and reflect on the recent volatile markets and economies. This forum, grounded in deep research and robust debate, centered on the fact that we are encountering significant change in global priorities and perhaps the global world order. This shift toward national interests is accompanied by, or indeed requires, a similarly meaningful shift toward a fiscal-led era. However, for many major economies, the starting fiscal position is already challenged, raising concerns of debt sustainability, exacerbated by a high cost of capital and lingering inflation fears. If these critical themes were not enough for markets to grapple with, the heavy-handed execution has also stirred an erosion of trust that, in turn, raises the risk of a reallocation to, or at least reevaluation of unconscious, overweight positions in US markets. What happens **when a policy of musts risks being trumped by an erosion of trust?**

A clear and distinct change in priorities

When we last gathered in late 2024, we discussed the very clear and distinct shift in global priorities toward nationalist interests, led by the US. As one large economy adjusts its priorities, by default it forces other nations to follow, causing a shift toward 'every country for itself'. This shift is the culmination of many small factors as well as larger global events like the COVID-19 pandemic that led to a gradual then seemingly all-at-once shift in global priorities.

These national interests encompass an emphasis on the following areas:

- National security, via military strength and associated investment
- Energy and food security
- Production of essential needs, critical inputs, and components at home or by close allies (from medical essentials all the way through the manufacturing activities to support all national interests)
- Lead (and win) the technological 'space race', and accrue the benefits of this accelerating revolution, and not fall behind; and
- Ensure the nation has the most effective, efficient, and resilient infrastructure to support all the above (from roads to ports to energy grids and data centres).

These national interests are now all 'need to', not 'want to', priorities. As such, if a nation were to not pursue these national interests, it risks falling behind in a rapidly changing global order. Hence, while countries like the US may not [yet] have been explicit about this, it is clear these national interests must now be pursued.

From monetary policy to fiscal policy

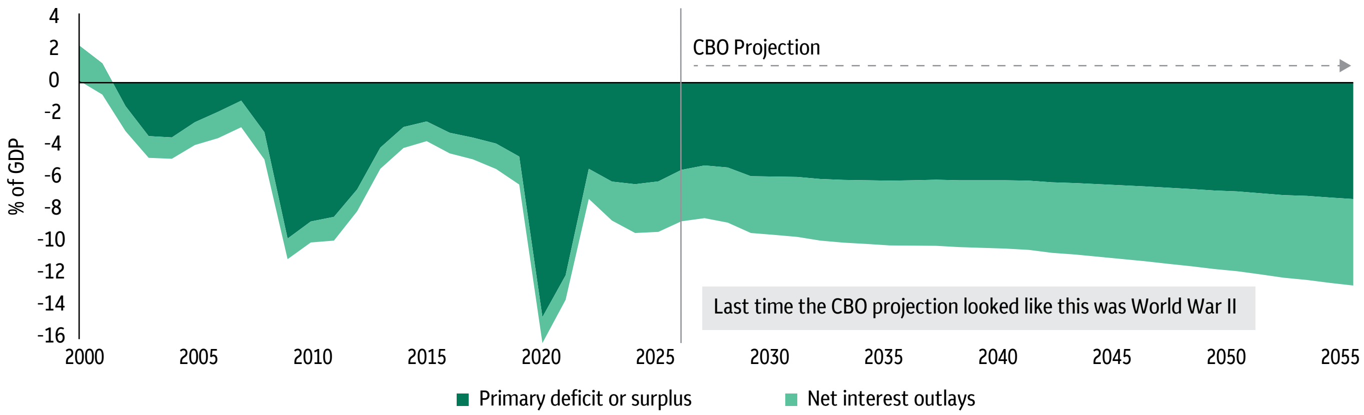
This pursuit of national interests is in stark contrast to the prior decades that were driven by continued 'globalisation'. While globalisation was 'magnificent' for corporate profits, it had adverse side effects, including the hollowing out of the working class and the rise of inequality. As such, some countries now find themselves chronically underinvested in the areas outlined above, spending the past few decades enjoying the benefits of globalisation, even if they now claim they didn't (their magnificent companies did, and large sections of their populations did not). Other nations find themselves exposed to and needing to rapidly adjust their national priorities from a primary focus on [less reliable and secure] sustainable energy. Others, playing a longer game, have been pursuing their national needs for many years, gaining advantages on almost all priorities, but now find themselves as the protagonist, facing aggressive tactics to slow their progress.

These national priorities require a distinct level of government sponsorship. While private enterprise will be encouraged to play a role, national security initiatives are best executed by public programs. In other words, they require government spending. Hence, this distinct shift is synonymous with an extended period of increased fiscal spending. Following more than four decades of a monetary policy dominated era, we are now entering an era of fiscal policy. This is a significant change in the economic operating environment and requires a very different lens in which to analyse economies and financial markets alike.

More fiscal means more government spending, but how can it be funded?

A major obstacle facing this significant change is the very poor starting fiscal position of most leading economies. Four decades of monetary policy dominance, including the remedying of the global financial crisis (GFC), the European sovereign debt crisis, and then the COVID-19 pandemic, have seen government debt reach elevated levels and continue to grow rapidly. The clearest example of this is the US, with deficit levels at more than 7% per annum of GDP (Figure 1). The growing interest expense alone makes implementing any form of fiscal responsibility close to impossible. This raises an important question: How will the global shift toward prioritizing national interests be funded?

Figure 1:
Debt continues to build



Source: US Congressional Budget Office (CBO), March 2025.

The answer to this question is not as puzzling as it seems. The same question could have been posed prior to the eventual responses to the GFC, European sovereign debt, and COVID-19 pandemic crises. During those acute situations, populations and financial markets had few qualms with the once completely 'unthinkable' liquidity-induced response of quantitative easing (QE) (also known as money printing) by global central banks and how, during the COVID-19 pandemic, in particular, it funded state of emergency fiscal programs to support economies. Why is it that more QE, which in all fairness was once considered 'unthinkable' before the GFC, now seems more complicated and difficult to foresee in this new era of fiscal policy? Why can't governments use this policy maneuver again in pursuit of their national interest needs?

The complication is 'inflation'. As the COVID-19 pandemic years have acutely demonstrated, the combination of [very] loose monetary policy and higher reliance on [extraordinary] fiscal policy – all things equal – can create higher levels of demand and, as capacity is exhausted, spill into higher rates of inflation. The extraordinary use of fiscal policy during the pandemic led to the inflation experienced in 2022, although supply disruptions played a role in this and perhaps further exacerbated the inflationary impulse experienced.

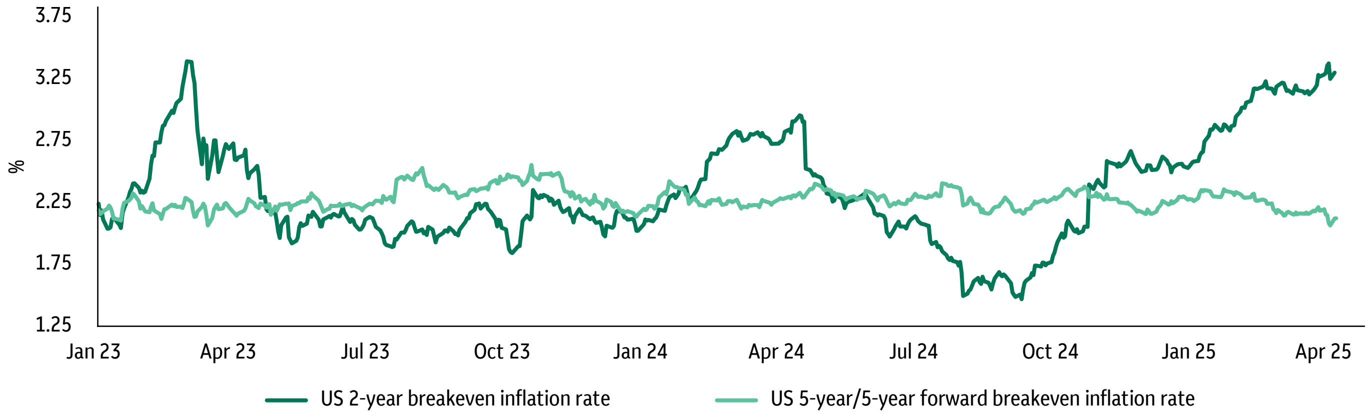
As we highlighted above, the initial conditions for most governments are now different as they have significant debt burdens that continue to climb at an increasing rate, intensified by escalating interest expenses, making future funding tasks more difficult. These governments must now fund the essential 'needs' of the new era of geopolitical abrasion. If we are indeed in a higher inflation era, then this challenge is formidable as the combination of increased fiscal spending, escalating interest expenses, and an inability to find buyers of their debt will heighten volatility in bond markets and flirt with the possibility of entering a sovereign fiscal crisis. This raises a critical question: Are we truly experiencing a higher inflation environment that will make funding these initiatives much more difficult or a lower one, in which tools used during recent crises can be utilized again? While much of the market commentary suggests that we are in an environment of more sticky inflation, it is essential to examine whether the evidence substantiates this claim.

The inflation debate is crucial

An assessment of the inflation pulse remains crucial to evaluating the path forward. We examined both sides of the inflation debate, focusing separately on the shorter-term cyclical inflation pulse and the longer-term structural trajectory, in our previous Strategic Forum, which was prescient and remains so today. To summarise and quote: "*Our approach is to favour following the cyclical direction of inflation while keeping an eye on policymakers and their potential to fuel the flames of the structurally higher inflation narrative.*" Cue Trump's tariffs.

We conducted a detailed examination of the nature of tariffs, assessing their impact on growth and inflation (notwithstanding their evolving implementation), concluding that tariffs are likely to result in a more material negative hit to growth than they will cause persistent higher inflation outcomes. In our view, tariffs alone cannot lead to a sustained rise in inflation and, at worst, can lead to a temporary increase in inflation that will give way to renewed disinflation. Inflation expectations, for the most part, have remained well anchored, giving us greater confidence in this view. Longer-term inflation expectations have generally remained well contained, indicating that beyond the short-term increase, inflation is not expected to overshoot the US Federal Reserve's (Fed) 2% inflation target in the long term.

Figure 2:
US Long-term inflation break-evens are well-anchored



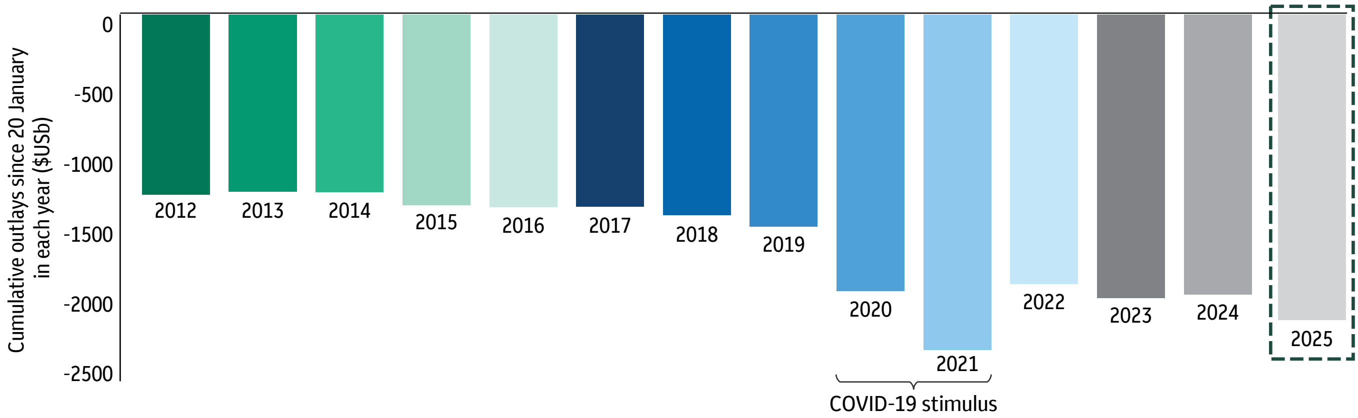
Source: Bloomberg, April 2025.

We continue to encourage a nearer-term focus in assessing the prevailing impacts on financial markets while not losing sight of the longer-term trends and risks. Again, to quote our previous note "*on balance, we think the outlook for inflation is unlikely to be a structurally higher environment. The powerful forces of both digitalisation and debt dynamics are individually deflationary. In combination, they have the potential for significant societal changes – and herein lies the potential trigger that could indeed lead to a higher inflation environment. Populations are increasingly likely to vote for and influence officials that promise to right the wrongs of widespread inequality.*" Outside another geopolitical or a socioeconomic shock in the coming months, we lean toward there being less than consensus inflationary pressure in the investible timeframe ahead and this being advantageous enough that there is more fiscal headroom than many currently anticipate. To be clear, fiscal headroom is not the same as a remedy. Here we merely mean the flexibility to be tempted and likely follow the same path repeatedly trodden during episodes like the GFC and the pandemic are more likely to be pursued than consensus currently thinks.

A path toward lower cost of capital and more liquidity

Linking this to recent events, the new US administration has been outspoken about its awareness of the fiscal situation and its desire to [at least attempt to] arrest the situation. The most visible actions so far include creating the appearance of fiscal responsibility via initiatives such as the Department of Government Efficiency (DOGE) – seeking to ensure every fiscal outlay is as efficient as possible – and, second, exploring new ways to raise government revenues such as the 'Liberation Day' tariff announcements. While both were ambitious in their declaration, they are likely to surprise with their limited success. Without genuine structural reform of embedded entitlements (that appears very unlikely), the trajectory of the US fiscal deficit is one of further ongoing deterioration (Figure 3). Further still, while much of the bluster of DOGE and tariffs captures attention, the passing of the 'One Big Beautiful Bill Act' through Congress exacerbates the deterioration of the budget deficit even further.

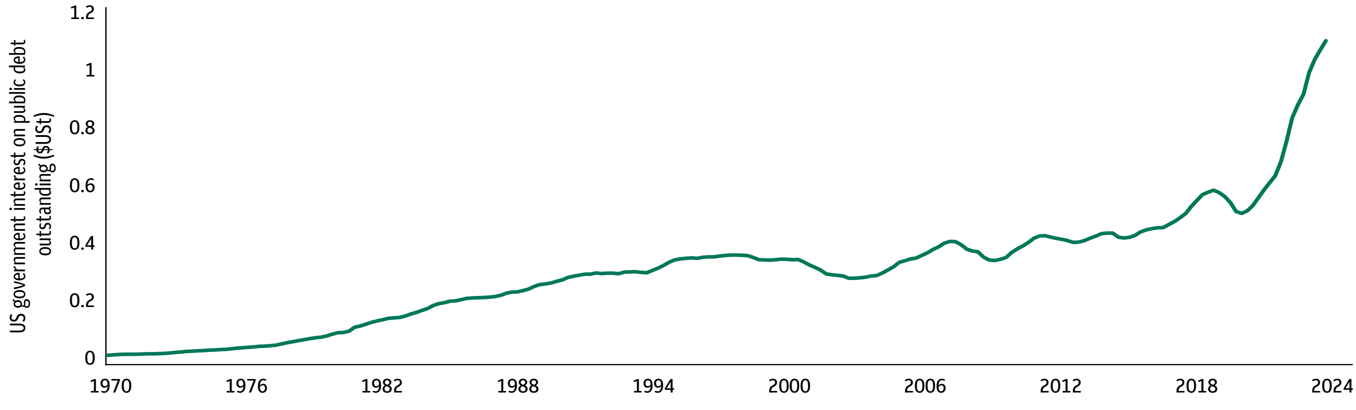
Figure 3:
US daily Treasury statement outlays since 20 January



Source: US House Budget Committee, Daily Treasury Statement, Macquarie.

This brings us to the largest current US government outlay: 'Interest expense' on debt, which currently stands at $US1.2 trillion per year (Figure 4). If interest rates remain at current levels, the interest expense paid will increase by another $800 billion to $2 trillion in 18 months' time as older low-interest rate debt maturities are refinanced. The easiest way to improve this increasing interest bill is to lower interest rates. It is therefore not surprising that the president is demanding, via social media, the Fed chair do exactly that. In time, it seems likely this will extend to presidential requests for, or accompany volatile bond market circumstances that will require, the smoothing or funding via the resumption of a liquidity provision (QE in some new form and name) as, and ultimately when, it is required.

Figure 4:
Ballooning interest expense



Source: US Congressional Budget Office (CBO), March, 2025.

This is the path [of least resistance that] policymakers, both fiscal and monetary, are on. And what policymakers need to occur, whether it be by sheer will, to manage volatility, or in crisis, they usually get – regardless of the considerable unintended second-, third-, and fourth-order consequences. Prepare for this – even if it takes the form of outright financial repression and leads to 'every country for itself' national capitalism outcomes.

While all this may be true – that is, the ultimate solution to the challenge of funding national interests/priorities is likely once again liquidity provision by central banks – this is not the preferred route yet. In our view, there is a lot of ground to cover before this approach is eventually called upon.

We believe the path to this eventuality will be a volatile one, creating opportunities in fixed income and equity markets alike. Bond markets will experience volatility, oscillating between economic growth fears, increasing fiscal crisis concerns, and fluctuations in inflation. These gyrations will present tradable opportunities, particularly with the knowledge that there is a level where yields are intolerable to markets and policymakers alike. Similar themes apply to credit markets – the shift in global priorities will create friction in financial markets. However, policymakers will be careful not to cause a recession or financial market distress, and fluctuations will present tradable ranges in the coming months.

“Bond markets will experience volatility, oscillating between economic growth fears, increasing fiscal crisis concerns, and fluctuations in inflation. These gyrations will present tradable opportunities, particularly with the knowledge that there is a level where yields are intolerable to markets and policymakers alike.”

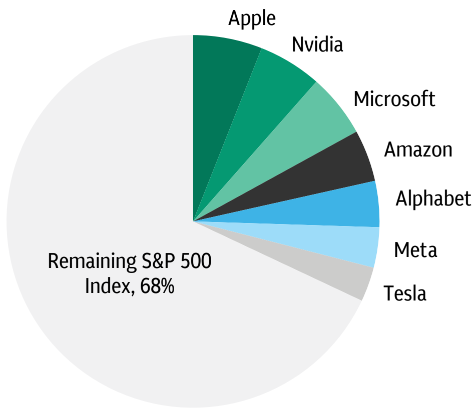
If all the above was not enough to consider, there are two additional emerging themes worth commenting on as we enter the middle of 2025.

Unconscious, concentrated and overweight – and the erosion of trust

The events of early April 2025 labelled ‘Liberation Day’ (the name in and of itself an exercise of poor diplomacy) through a clearer lens is an [not nearly enough detailed or thoughtful] attempt to raise revenue to aid the fiscal position of the US. While the concept may have had merit, its execution sent shockwaves around the world. What may have started as an attempt to improve fiscal deficits has resulted in an erosion of trust – foe and, importantly, friend alike. Can and will the US administration change the rules whenever it sees fit? And, if so, is it still sensible to have large or heightened exposure to US dollar (USD) assets, particularly safe-haven ones like US Treasuries, when concepts like the Mar-a-Lago Accord and Section 899 are discussed openly and appear ever present? Are we witnessing a diplomatic and treasury/financing breach of trust? Recall when the seizure of Russian reserves in 2020, while seemingly sensible to address the specific issue, did not consider the broader message that all other countries received: The rules are subject to change without notice. Has funding the new era of fiscal needs just become ever more so challenging for the US? In diplomacy, as in life, trust is everything, and when it breaks, it’s not easy to rebuild.

The first half of 2025 also featured events that laid questions at the feet of the artificial intelligence (AI) euphoria that had been such a dominant feature of the past two years. We saw an abrupt revaluation lower of the so-called Magnificent Seven, caused in part by DeepSeek, BYD, and other China technology advances, and also seemingly unreal forecasts by AI-related companies. If indeed an AI euphoria unwind is underway (there is always the chance a new narrative comes to the forefront), history has shown, it probably won’t be pleasant. This may be accelerated by the ‘passive is massive’ trend (in reverse), having wide ramifications. The Magnificent Seven led the rise in equity markets. As the Magnificent Seven rose, the NASDAQ rose, so did the S&P 500® Index and the MSCI World Index, as did their combined weights in all these indices. With so many retail and institutional investors embracing low-cost passive solutions, these passive funds and exchange-traded funds (ETFs) bought all index constituents, including more and more of the Magnificent Seven. It was a wonderful virtuous cycle. The more the Magnificent Seven went up, the more the flows came and the more the market rose. So much so that as we started 2025, 72% of the MSCI World Index was weighted toward US companies, the Magnificent Seven being at a large 21% of the index. And most of the ‘passive is massive’ world is unaware of the reliance that imbued. Even if the S&P 493 can weather or benefit from the new era of national priorities, if those Magnificent Seven fall in price to normal valuations, the indices will deliver negative returns (Figure 5). Has the virtuous cycle come to an end? Will it now become vicious? A continued backdrop of uncertain policy and geopolitical abrasion will not aid this situation; it will only exacerbate it.

Figure 5:
Magnificent Seven is 32% of the S&P 500 Index. With passive as high as 60% of the market, if Magnificent Seven fall, they all fall



Source: S&P 500 Index, March 2025.

Knowing this, and intertwining this to the first theme around erosion of trust, and recalling the weight to US assets in these passive funds, would a rational investor, other than unconscious passively ones, wait to find out? The risk that awareness of this increases triggering a rebalancing or even just a shift in allocation of the marginal dollar away from the US to other markets is worthy of attention. Unconscious, concentrated, and overweight indeed.

Investment implications

- **Rates:** In the near term, markets are likely to continue to be volatile, driven by government policy uncertainty. We see the introduction of increased tariffs as posing a greater risk of lower growth rather than persistently higher inflation. Given this, we expect central banks to continue their easing cycle, providing a tailwind for bonds, especially in the short to intermediate parts of the curve. Further out the curve, the risks are more balanced – where the attractiveness of holding more duration on weaker fundamentals may be tempered by increased supply and rising term premium. The US, Germany, and the UK will all have considerable funding needs to be addressed.
- **Credit: Investment grade (IG) credit** benefits from a positive technical tailwind with attractive all-in yields and total return potential, strong primary market demand, and better-than-feared earnings. However, we believe macroeconomic and government policy uncertainty will put a cap on any meaningful near-term tightening in spreads. Recent volatility has provided both buying and selling opportunities, so we advocate for a disciplined but dynamic approach, only adding to exposures when spreads offer value. On a sector basis we are defensive; negative on those susceptible to an economic slowdown (e.g. consumer cyclicals and airlines) and favour those with what we view as structural or regulatory advantages (e.g. electric utilities, select insurers, and communications). High yield (HY) credit reflects similar themes. The swift recovery in spreads, post the 'Liberation Day' blowout, has left risk skewed to the downside, and we therefore remain patient for better entry points. We expect default rates to rise from current levels but remain contained given solid corporate fundamentals. While we still see favourable diversification benefits from allocations to secured bank loans, we tend to prefer comparably rated HY corporates due to the recent convergence of relative value and their better liquidity.
- **Structured securities:** Rising economic pressures and policy uncertainty are posing questions for structured securities; however, we believe safer collateral types provide enough of a buffer for investors. Housing remains supported by a structural imbalance between demand and supply. Coupled with conservative mortgage underwriting standards, we have a strong conviction in the credit strength of residential mortgage-backed securities (RMBS). Commercial real estate fundamentals are stabilising but are susceptible to a weakening economy. Certain asset-backed securities (ABS) are susceptible to affordability stresses, with increasing tariffs expected to inflate consumer repayment burdens. ABS spreads have converged relative to IG corporates, so we remain patient for better entry points.

- **Emerging markets (EM) debt:** EM economies show varying degrees of exposure to US tariffs driven by trade openness and export composition. Commodity-exporting countries (e.g. Brazil, Indonesia, South Africa) have lower US trade linkages than manufacturing hubs (e.g. Mexico, Vietnam, Malaysia). Though a tariff-induced decrease in global demand will be universally felt. Contrary to this are the strong fundamentals among EM countries, which have been affirmed by a significant uptick in rating upgrades and positive outlooks from rating agencies. Technicals also remain strong with oversubscriptions of primary market deals and firm demand from crossover investors. We remain constructive on hard currency EM debt and expect it to continue to trade in line with global credit. On the corporate side, spreads are tight but still offer pickup to comparable credits in developed markets. Although local currency EM debt is largely being driven by the USD, we prefer to remain neutral amid the increased volatility.
- **Currency:** Fading US exceptionalism coupled with uncertain fiscal policy and rising recession fears have driven USD weakness in 2025. In our opinion, the downward trend in the USD is set to continue as the currency remains overvalued relative to global peers and tariff policies risk weighing on US growth. Elsewhere, we expect the Japanese yen to strengthen as rate differentials continue to normalise, the euro to strengthen as fiscal injections look likely to spur growth, and the Australian dollar to strengthen on the removal of China risk premium and its cheap valuation.

IMPORTANT INFORMATION

In April 2025, Macquarie Group Limited and Nomura Holding America Inc. (Nomura) announced that they had entered into an agreement for Nomura to acquire Macquarie Asset Management's US and European public investments business. The transaction is subject to customary closing conditions, including the receipt of applicable regulatory and client approvals. Subject to such approvals and the satisfaction of these conditions, the transaction is expected to close by the end of 2025.

The opinions expressed are those of the author(s) are as of the date indicated and may change based on market and other conditions. The accuracy of the content and its relevance to your client's particular circumstances is not guaranteed.

This market commentary has been prepared for general informational purposes by the team, who are part of Macquarie Asset Management (MAM), the asset management business of Macquarie Group (Macquarie), and is not a product of the Macquarie Research Department. This market commentary reflects the views of the team and statements in it may differ from the views of others in MAM or of other Macquarie divisions or groups, including Macquarie Research. This market commentary has not been prepared to comply with requirements designed to promote the independence of investment research and is accordingly not subject to any prohibition on dealing ahead of the dissemination of investment research.

Nothing in this market commentary shall be construed as a solicitation to buy or sell any security or other product, or to engage in or refrain from engaging in any transaction. Macquarie conducts a global full-service, integrated investment banking, asset management, and brokerage business. Macquarie may do, and seek to do, business with any of the companies covered in this market commentary. Macquarie has investment banking and other business relationships with a significant number of companies, which may include companies that are discussed in this commentary, and may have positions in financial instruments or other financial interests in the subject matter of this market commentary. As a result, investors should be aware that Macquarie may have a conflict of interest that could affect the objectivity of this market commentary. In preparing this market commentary, we did not take into account the investment objectives, financial situation or needs of any particular client. You should not make an investment decision on the basis of this market commentary. Before making an investment decision you need to consider, with or without the assistance of an adviser, whether the investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Macquarie salespeople, traders and other professionals may provide oral or written market commentary, analysis, trading strategies or research products to Macquarie's clients that reflect opinions which are different from or contrary to the opinions expressed in this market commentary. Macquarie's asset management business (including MAM), principal trading desks and investing businesses may make investment decisions that are inconsistent with the views expressed in this commentary. There are risks involved in investing. The price of securities and other financial products can and does fluctuate, and an individual security or financial product may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international or local financial, market, economic, tax or regulatory conditions, which may adversely affect the value of the investment. This market commentary is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in this market commentary. Opinions, information, and data in this market commentary are as of the date indicated on the cover and subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this market commentary and/or further communication in relation to this market commentary. Some of the data in this market commentary may be sourced from information and materials published by government or industry bodies or agencies, however this market commentary is neither endorsed or certified by any such bodies or agencies. This market commentary does not constitute legal, tax accounting or investment advice. Recipients should independently evaluate any specific investment in consultation with their legal, tax, accounting, and investment advisors. Past performance is not indicative of future results.

This market commentary may include forward looking statements, forecasts, estimates, projections, opinions and investment theses, which may be identified by the use of terminology such as "anticipate", "believe", "estimate", "expect", "intend", "may", "can", "plan", "will", "would", "should", "seek", "project", "continue", "target" and similar expressions. No representation is made or will be made that any forward-looking statements will be achieved or will prove to be correct or that any assumptions on which such statements may be based are reasonable. A number of factors could cause actual future results and operations to vary materially and adversely from the forward-looking statements. Qualitative statements regarding political, regulatory, market and economic environments and opportunities are based on the team's opinion, belief and judgment.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank"), any Macquarie Group entity noted in this website is not an authorized 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 website 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.

Past performance does not guarantee future results.

Diversification may not protect against market risk.

Fixed income securities are subject to credit risk, which is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower expects to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

Fixed income securities are also subject to interest rate risk, which is the risk that the prices of fixed income securities will increase as interest rates fall and decrease as interest rates rise. Interest rate changes are influenced by a number of factors, such as government policy, monetary policy, inflation expectations, and the supply and demand of securities. Fixed income securities with longer maturities or duration generally are more sensitive to interest rate changes.

Quantitative easing (QE) is a government monetary policy used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increased the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

A Treasury yield refers to the effective yearly interest rate the US government pays on money it borrows to raise capital through selling Treasury bonds, also referred to as Treasury notes or Treasury bills depending on maturity length.

The yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the 3-month, 2-year, 5-year, and 30-year US Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. It is also used to predict changes in economic output and growth.

The shape of the yield curve is closely scrutinized because it helps to give an idea of future interest rate change and economic activity. There are three main types of yield curve shapes: normal, inverted and flat (or humped). A normal yield curve is one in which longer maturity bonds have a higher yield compared to shorter-term bonds due to the risks associated with time. An inverted yield curve is one in which the shorter-term yields are higher than the longer-term yields, which can be a sign of upcoming recession. A flat (or humped) yield curve is one in which the shorterand longer-term yields are very close to each other, which is also a predictor of an economic transition. The slope of the yield curve is also seen as important: the greater the slope, the greater the gap between short- and long-term rates.

Yield curve inversion is when coupon payments on shorter-term Treasury bonds exceed the interest paid on longer-term bonds.

"The Magnificent Seven" refers to a group of seven high-performing and influential stocks in the technology sector, borrowing from the meaning of a powerful group. Bank of America analyst Michael Hartnett coined the phrase in 2023 when commenting on the seven companies commonly recognized for their market dominance, their technological impact, and their changes to consumer behavior and economic trends: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

The "S&P 493" refers to the S&P 500 Index minus the "Magnificent Seven" stocks. It's not an official index, but rather a way to analyze the performance of the S&P 500 without the influence of the seven largest companies. These seven companies have a disproportionate impact on the overall S&P 500 index due to their large market capitalization.

The **S&P 500® Index** measures the performance of 500 mostly large-cap stocks weighted by market value and is often used to represent performance of the US stock market.

The **MSCI World Index** represents large- and midcap stocks across 23 developed market countries worldwide. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Economic trend information is sourced from Bloomberg unless otherwise noted.

Macquarie Group, its employees and officers may act in different, potentially conflicting, roles in providing the financial services referred to in this document. The Macquarie Group entities may from time to time act as trustee, administrator, registrar, custodian, investment manager or investment advisor, representative or otherwise for a product or may be otherwise involved in or with, other products and clients which have similar investment objectives to those of the products described herein. Due to the conflicting nature of these roles, the interests of Macquarie Group may from time to time be inconsistent with the Interests of investors. Macquarie Group entities may receive remuneration as a result of acting in these roles. Macquarie Group has conflict of interest policies which aim to manage conflicts of interest.

macquarie.com/MAM

Contact us

Americas

Fifth Avenue
New York
212 231 1000
mim.americas@macquarie.com

Australia

Elizabeth Street
Sydney
1 800 814 523
miminstitutionalclients@macquarie.com

EMEA

Ropemaker Place
London
44 20 303 72049
mamclientservice.emea@macquarie.com

Asia

Harbour View Street
Hong Kong
852 3922 1256
macquarie.funds.hk@macquarie.com