

# Macquarie Australian Fixed Interest Fund

Monthly report – 31 August 2025

## Investment objective

Aims to outperform the Bloomberg AusBond Composite 0+ Yr Index over the medium term (before fees) by using an active investment strategy. It aims to provide regular income and a moderate level of growth.

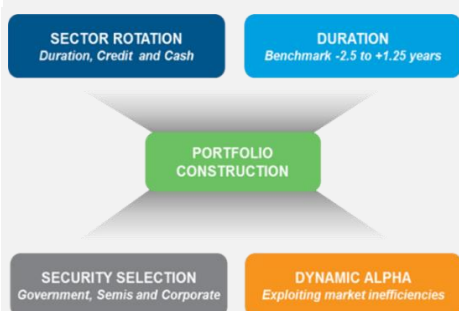
## Key information

### Fund details

APIR code	MAQ0061AU
Inception date	15 May 1995
Fund size	\$367.5m
Distribution frequency	Generally quarterly
Management fee*	0.390% pa
Minimum investment (Direct)	\$20,000

Unit prices and spreads [macquarie.com/mam/unit-prices](https://macquarie.com/mam/unit-prices)

\*Read the Product Disclosure Statement for more details on fees and costs.



## Fund performance to 31 August 2025

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	0.49	0.45	0.33	0.12
<b>3 months (%)</b>	1.39	1.29	1.05	0.24
<b>1 year (%)</b>	4.95	4.54	4.31	0.23
<b>2 years (% pa)</b>	5.43	5.02	4.73	0.29
<b>3 years (% pa)</b>	4.66	4.25	3.74	0.51
<b>5 years (% pa)</b>	0.62	0.23	-0.03	0.26

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.

The management fee was reduced to 0.390% pa from 8 January 2021.

Benchmark is Bloomberg AusBond Bank Bill Index

## Asset allocation (based on physical exposure)

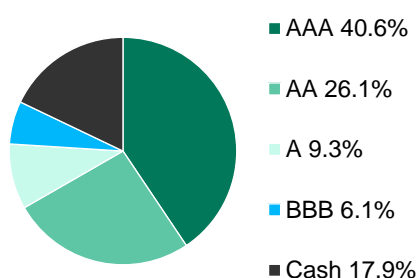
	Fund (%)
Credit	36.4
Semi-Government	26.6
Government	19.1
Cash and Equivalents	17.9

## Fund statistics

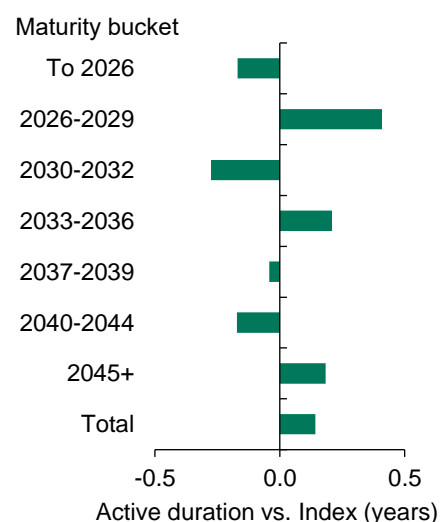
Credit spread duration	1.2 years
Interest rate duration	5.1 years
Yield to maturity*	4.33% pa

\*Pre-fee returns Fund would earn over next year based on current market conditions if there were no changes to interest rates or holdings of Fund. It is not an actual or estimated return.

## Credit profile breakdown



## Curve positioning breakdown



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## Fund highlights

The Fund outperformed the benchmark over the month, driven by duration and curve, sector rotation as well as security selection.

### Duration and curve

Duration positioning was largely unchanged in August as a nonfarm payrolls-led bond rally positively contributed to performance. This US outperformance also benefited the option structures held in the Fund as AU-US yield spreads widened. We used this opportunity to take profit and trim some front-end received exposure. We maintain an overall long duration bias, with the thesis that short-term growth and employment risks are tilted to the downside.

### Sector rotation

In August, the Fund trimmed its long semi-government position. Semi-government spreads to bonds tightened in early August which saw several states come to the market – with monthly issuance nearing \$14bn. All the syndicated deals saw strong demand, however, most notably, the new Queensland Treasury Corporation 2038 benchmark bond syndication saw a near-record 48% offshore allocation. A mid-month flurry in issuance prompted a reversal in spreads, which widened towards month-end - ultimately closing slightly higher.

This supply also added pressure to 10-year swap spreads, although spreads ultimately finished the month 1-2bps lower across the curve. The Fund's swap spread exposure was broadly unchanged in August.

Overweight credit positioning was a driver of Fund outperformance in August. Australian credit spreads outperformed offshore markets, with the option-adjusted spread of the Australian IG Index tightening 5bps to 103bps.

### Security selection

The Fund remains overweight futures vs physical securities, held in both the short end and intermediate sector of the curve. Within ACGBs and semi-government, our exposure remains concentrated in the longer end given the steepness of the curve and assessments of relative value. Regarding issuers, we reduced our New South Wales Treasury Corporation overweight in August following outperformance whilst slightly adding to AUSCAP and South Australian Government Financing Authority.

The Fund's credit security selection supported active returns. Financials led performance. Both domestic and offshore senior paper experienced ongoing spread compression. Tier 2 spreads bull-steepened with shorter-dated securities compressing as much as 10bps during the month. Corporate exposures also positively contributed to performance, with outperformance coming from exposures in REITs and industrials. Like July, structured holdings exhibited ongoing spread compression and remained a stable source of short-dated carry for the Fund. During the month, the Fund participated in deals such as Credit Agricole, Vonovia, ANZ Bank, CBA, HSBC Holdings, International Development Association, ING Bank, Svenska Handelsbanken and KINGF 2025-1.

## Market overview

The data released in the past month reinforced that US growth remains slower so far in 2025 than in recent years with jobs growth slowing materially; the eurozone data continues to point to ongoing but subdued growth; while the Chinese data has softened a little. We remain of the view that while tariffs will result in higher inflation outcomes in the US in coming months, the underlying trend towards better contained inflationary outcomes will remain intact and will likely add disinflationary pressures to non-US economies. Some central banks have started to slow the pace at which they are cutting policy rates as they now see them as being materially less restrictive than prior to their respective rate cut cycles. The Fed has been somewhat of an outlier in having left the funds rate unchanged at all five of its meetings so far in 2025, but the softer labour market data now has the market almost fully pricing a September resumption of their earlier rate cut cycle, with a further 25bp cut by year-end fully priced. This softer US labour market data has seen UST yields move lower over the month. After the USD rallied in July, the soft labour market data at the start of August also resulted in the USD renewing the downtrend it has been on for most of 2025.

### Australian bond market

Australia's economy continues to cyclically improve but remain structurally subdued off the back of the RBA cutting rates by another 25 bps to 3.6%. Following the RBA's shock hold last month, choosing to wait for more confirmation that inflation is on track to return to the mid-point of the 2-3% target range, this confirmation came with Australia's Q2 CPI. With the quarterly trimmed mean inflation at 0.6-0.7%, within target, the CPI and labour market data point to continued easing. It has been our expectation that the RBA will cut rate 4-5 times over the course of 2025, so with 3 cuts now in place we expect 1-2 more cuts this year, likely in November and potentially February early next year, taking the cash rate to a cycle low of 3.1%. The Australian Government's National Housing Accord's impact is reflected by a sharp increase in Q2 real value of residential building approvals in Australia, driven largely by apartments, pointing to solid construction growth in the near-term. Similarly NSW's new planning and rezoning announcements aim to cater for population growth, but the housing shortage is projected to continually worsen over the next 5 years despite these measures as population demand continues to exceed supply, putting upward pressure on house prices. The Q2 CPI release, alongside monthly CPI prints, reinforces this point: the four major housing expenditure categories remain at high price levels, though growth is slowing as affordability constraints bite. While housing, traditionally a persistent component of inflation, has recently shown signs of disinflation, the renewed focus on housing construction and policies aimed at supporting first-time buyers may constrain this trend. In the absence of a significant employment shock, this dynamic could also limit the RBA's scope to lower rates beyond the two cuts anticipated.

The AU 10-year bond future traded between 4.20% and 4.32% in August, with the 10-year yield ending the month at 4.27%. The ACGB 3-year/10-year yield spread steepened slightly, closing +90bps.

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### Australian credit market

Australian credit outperformed offshore markets with IG OAS moving 5bps lower in August to 103bps. Spread tightening was broad-based with some of the REITs and transportation names being the notable outperformers in the corporate sector. In the financial space, senior bank paper grinded 2-4bps tighter. Meanwhile, Tier 2 curve bull-steepened with front-end spreads moving as much as 10bps lower and 5-year call paper tightening 3-4bps over the month. There was around 20bn of primary supply in the Australian IG market. While it was not the largest month of issuance volume, some records were set during the month. These included the largest orderbook ever in an Australian credit deal which was CBA's senior deal with more than 13bn of final demand. 20-year tenor was also tested by a couple of issuers (ANZ's 20-year bullet Tier 2 and Electricite de France SA's 20-year senior) with both deals very well-received by the market and subsequently tightening 20bps in the secondary market.

### Outlook

The recent data flow has supported our ongoing view that “growth is beginning to soften while the disinflationary trend is largely intact.” We remain of the view that increasingly supportive policy will be required given the strong prospect of business and consumer caution due to the US administration's trade policies, although we recognise a number of central banks have already eased materially. While the US Fed has paused its rate cut cycle so far this year, the Bank of Canada, ECB, SNB, Swedish Riksbank, BoE, and RBNZ have all lowered rates in 2025, and the RBA cut rates at its February, May, and August meetings with a further cut expected in November. Some central banks have however started to slow the pace of their rate cut cycles as policy rates get closer to their interpretation of neutral, resulting in rate cut expectations for most being wound back. In contrast the BOJ, having hiked again in January, continues to signal that it expects to further normalise policy in coming quarters, although the global backdrop and domestic political uncertainty has seen it become increasingly cautious in signalling the likely timing of these hikes. We will continue to closely watch central bank rhetoric to help judge whether these expectations of policy changes are justified. Given the crucial role of fiscal policy, we also continue to monitor government budget decisions.

We retain a bias to long duration as the earlier aggressive tightening cycles by central banks globally continues to be unwound. We continue our aim to add to duration as yields rise but remain receptive to reducing exposure when the market looks rich. The ongoing recovery of risk appetites in credit since the April lows has seen spreads narrow even further. Although the risks to growth remain material, the prospect of further policy support, both monetary and fiscal, is likely to provide support to the medium-term growth outlook and hence valuations. While spreads remain relatively tight, all-in yields remain somewhat high relative to recent history and expectations of positive total returns should drive demand.

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**For more information speak to your financial adviser, 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

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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