

Macquarie Dynamic Bond Fund

Monthly report – 31 August 2025

Investment objective

Aims to generate attractive returns by dynamically investing in global fixed income instruments. It aims to provide diversification against equity risk as well as capital growth and some income.

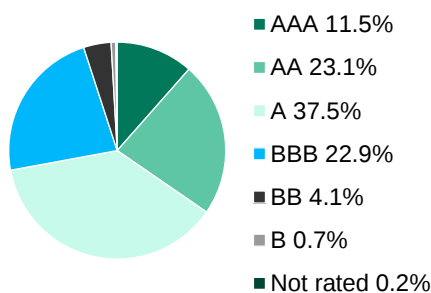
Key information

Fund details

APIR code	MAQ0274AU
Inception date	30 September 2002
Fund size	\$1,552.7m
Distribution frequency	Generally quarterly
Management fee*	0.614% pa
Minimum investment (Direct)	\$20,000
Unit prices and spreads	macquarie.com/mam/unit-prices

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

Credit profile breakdown



Average credit rating: A
Less than BBB includes residual exposure to issuers held through global investment grade allocation.

Fund performance to 31 August 2025

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.78	0.73	0.49	0.24
3 months (%)	1.77	1.61	1.25	0.36
1 year (%)	4.03	3.39	2.84	0.55
3 years (% pa)	4.22	3.58	2.50	1.08
5 years (% pa)	1.09	0.47	-0.63	1.10
10 years (% pa)	3.09	2.45	1.95	0.50

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.

From 24 August 2021, the Bloomberg Barclays fixed income benchmark indices were rebranded as the "Bloomberg Indices". As a result, the "Bloomberg Barclays Global Aggregate 1 to 10 years Index hedged to AUD", was renamed "Bloomberg Global Aggregate 1 to 10 years Index hedged to AUD."

From 1 January 2023, the benchmark is the Bloomberg Global Aggregate Index (Hedged to AUD). Prior to this, the Fund had different benchmarks. The Benchmark return and Total excess return (net) information shown above is based on the current benchmark. Over certain periods, these returns may be materially higher than the returns against the previous benchmarks. Further information about the performance of the Fund against the previous benchmarks is available on request.

Asset allocation

	Fund (%)
Sovereign bonds ^A	34.9
Investment grade credit*	58.3
High yield	2.0
Emerging markets debt ⁺	4.8

^AIncludes Australian government, Australian semi-government, supranational, global sovereign and cash

*Includes Australian and global investment grade credit

⁺May include holdings of sub-investment grade instruments

Geographical exposure

	Interest rate duration ^A (%)
North America	38.6
Europe (ex UK)	27.9
UK	10.6
Australia/New Zealand	10.8
Japan	11.2
Others	0.9

^ACalculated based on security's currency

Fund statistics

Credit spread duration	3.0 years
Interest rate duration	6.0 years
Standard deviation ^A	3.6% pa
Yield to maturity*	4.7% pa

^AStatistical measure of variance of Fund's post-fee monthly returns from its average post-fee return since inception used as gauge of volatility.

*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.

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Fund highlights

Interest rate strategies contributed positively to performance in August. This was largely due to the Fund's yield curve steepening exposure, particularly in the US. While global yield curves have generally been steepening on fiscal concerns, the US curve has also been impacted by the markets view that the US Federal Reserve (Fed) will begin to cut policy rates again after a reasonable pause. Curve positions in Europe and the UK also contributed positively to performance over the month. Outright duration positioning detracted somewhat as both EUR and UK overweight strategies failed to maintain pace with the rally in US Treasuries – the UK in particular was impacted by higher-than-expected inflation readings along with more resilient growth data which may slow the pace of easing by the Bank of England (BoE). The sell off in Chinese bonds benefited the Fund which has no exposure to Chinese sovereigns.

The Fund reduced duration positioning last month, trimming some UK exposure on fiscal concerns and further reducing US exposure given front end valuations appear to be rich. The Fund also moved some of its French and Belgium exposure back to Germany given spreads in these markets appear tight with positioning heavily favouring low volatility conditions to further support spread narrowing. The Fund continues to favour yield curve steepening positions across major markets.

The Fund's credit positions contributed to outperformance over the benchmark in August. Credit performance was driven by AUD investment grade credit – which had lagged the global spread tightening and provided some opportunities in new issuance; in addition to small positive contributions from emerging markets and HY. Amongst individual issuers, Australian major bank subordinated debt was a significant contributor, as well as subordinated debt from non-financial corporates; small negative contributions were from US banks, and selected US BB rated issuers.

The Fund made modest changes to positioning over the month, principally focused on new issuance. The Fund added positions in ANZ subordinated bonds, which issued at attractive spreads, and Electricité de France S.A. bonds, both in AUD. Overall, credit spreads are slightly off the recent tight but are not far from long-term tight; and our focus reverts to maintaining an appropriate level of excess yield, while maintaining credit quality and limiting total credit beta. We expect markets to remain volatile and will seek to take advantage of opportunities as they present at wider spread levels.

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.

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, European Central Bank, Swiss National Bank, Swedish Riksbank, BoE, and Reserve Bank of New Zealand have all lowered rates in 2025, and the Reserve Bank of Australia 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 Bank of Japan, 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 or visit 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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