

Macquarie Income Opportunities Fund

Monthly report – 31 August 2025

Investment objective

Aims to outperform the Bloomberg AusBond Bank Bill Index over the medium term (before fees). It aims to provide higher income returns than traditional cash investments at all stages of interest rate and economic cycles.

Key information

Fund details

APIR code	MAQ0277AU
Inception date	19 September 2003
Fund size	\$3,001.1m
Distribution frequency	Generally monthly
Management fee*	0.492% 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.



Fund performance to 31 August 2025

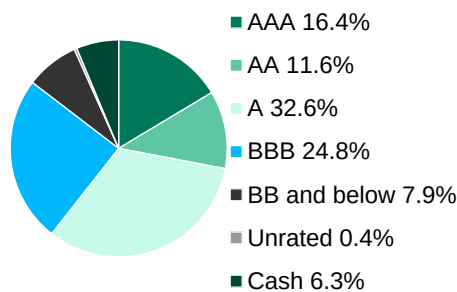
	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	0.66	0.62	0.32	0.30
3 months (%)	2.02	1.89	0.94	0.95
1 year (%)	6.74	6.22	4.25	1.97
3 years (% pa)	6.12	5.60	4.00	1.60
5 years (% pa)	3.34	2.83	2.47	0.36
10 years (% pa)	3.37	2.87	2.06	0.81
Since inception (% pa)	4.81	4.29	3.54	0.75

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.

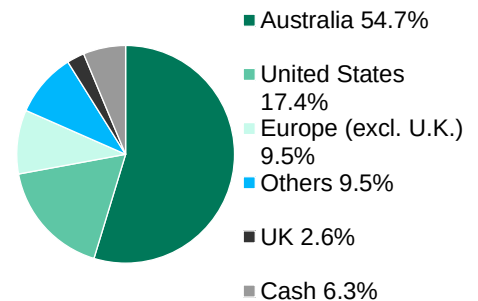
Total net Fund returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

Credit profile breakdown



Average credit rating: A
BB and below include direct holdings and residual exposure to issuers held through our investment grade and emerging markets allocation.

Region breakdown



Asset allocation

Sector	Market value %
Investment grade corporates [^]	57.4
Investment grade government	0.1
Asset-backed securities	25.4
High yield corporates [^]	2.7
Emerging market corporate	4.8
Emerging market government [^]	3.3
Cash and equivalents	6.3

Asset-backed securities include but are not limited to residential mortgage backed securities, bank loans and other credit related securities.

[^]Fund holds (0.0%) in investment grade, (0.0%) in high yield and (0.5%) in emerging markets credit hedges as synthetic cash (reduction in percentage of physical cash exposure).

Fund statistics

Credit spread duration	3.2 years
Interest rate duration	2.7 years
Standard deviation [^]	2.2% pa
Yield to maturity*	4.7% pa
Cash	6.3%
Cash exposure through credit hedges ⁺	0.6%

[^]Statistical 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.

⁺Credit hedges swap the return for underlying credit index for cash.

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Fund highlights

The Fund outperformed the benchmark in August, with credit positions and interest rate curve positioning both contributing. Credit performance was driven by AUD investment grade (IG) credit – which had lagged the global spread tightening and provided some opportunities in new issuance, while global credit positions overall were flat for the month (negative for IG, small positive for high yield (HY) and emerging markets). Positive duration curve performance was driven by AUD, EUR and USD positions, with a strong preference for sub-10-year maturities performing well amid renewed curve steepening. 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 changes to positioning over the month, principally focused in 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 tightness but are not far from long-term tightness; 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 US Federal Reserve (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.

Risk markets finished August at or near their highs, as it has become more increasingly certain that the Fed (under the influence, or not) is likely to reduce rates further at the next meeting.

US credit markets finished August on a mixed note. IG was modestly weaker over the month, with spreads on the US IG index widening 4bps, to 79bps; while HY was tighter by 6bps, to finish at 272 bps. HY's better performance was driven by sharp rebounds in certain distressed credits, and additionally that IG credit had performed relatively better in prior months. For both asset classes, spreads remain near long-term tightness. Industry sector performance showed only modest differentiation, with health insurance rebounding from recent weakness, while IG energy somewhat lagged. New issuance volumes remain subdued, with just over 100bn issued in IG – around in line with averages for August, given the northern hemisphere summer.

Spreads closed marginally weaker on the month underperforming global peers, French election risk in particular in the latter part of the month led to an underperformance in Europe from the tightness. Bloomberg EuroAgg Corporate OAS (EUR IG) closed 5bps wider at 84bps and Bloomberg Euro High Yield Index (EUR HY) closed 8bps wider at 281bps. Primary issuance totalled €44bn which was ahead of expectations as issuers took advantage of the overall tight spread environment.

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, European Central Bank, Swiss National Bank, Swedish Riksbank, Bank of England, 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.

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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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