

# Macquarie Access Growth Multi Asset Portfolio

Quarterly report – 31 December 2022

## Model portfolio details

Investment objective	Aims to provide positive returns of 4.5% pa above Australian inflation over the medium term (before fees)
Inception date	25 November 2019

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



The performance information and commentary is based on a model portfolio. The information does not take into account differences between the model portfolio and the actual portfolio implemented by the operator of your managed account or any fees, expenses or other costs.

The performance of your managed account will differ to that of the model portfolio (and may differ significantly) due to factors including an incomplete implementation of all trades, the timing of trades, the individual circumstances of an investor as well as the fees, expenses and other costs charged by the operator of your managed account.

All references to selling, investing, participating, positioning or similar are references to the model portfolio only and may not reflect the holdings in your actual portfolio.

Please contact the operator of your managed account for further information.

## Model portfolio performance to 31 December 2022

	Total model portfolio return (gross)	Total model portfolio return (net)	Investment return objective	Total excess return (net)
<b>3 months (%)</b>	4.80	4.76	2.93	1.83
<b>1 year (%)</b>	-8.88	-9.02	10.64	-19.66
<b>2 years (% pa)</b>	2.83	2.68	8.55	-5.87
<b>3 years (% pa)</b>	3.65	3.48	7.56	-4.08
<b>Since inception (% pa)</b>	3.31	3.13	7.77	-4.64

Past performance is not a reliable indicator of future performance.

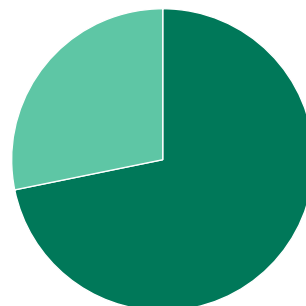
Gross returns are quoted prior to the deduction of all fees and expenses.

Net returns are quoted after the deduction of the management fee and indirect costs. The management fee is 0.154% pa (inclusive of GST), the highest management fee applicable for an SMA managed in accordance with the Macquarie Access Growth Multi Asset Portfolio. Indirect costs include the net fees of the underlying investments, such as managed funds, held by the model portfolio.

Investment return objective is 4.5% pa above Australian inflation over the medium term (before fees). Inflation is defined as the Consumer Price Index as measured by the Reserve Bank of Australia Trimmed mean, as published by the Australian Bureau of Statistics.

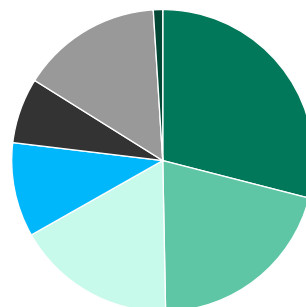
Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions. Due to individual investor circumstances (including different management fees), the net returns may differ from the net returns quoted above.

## Current growth/income profile



- Growth 71.8% (Neutral growth split 80%)
- Income 28.2% (Neutral income split 20%)

## Portfolio allocations



- Australian equities 29.0%
- International equities 20.7%
- Australian fixed interest 17.1%
- Global fixed interest 10.1%
- Global real estate 7.0%
- Global infrastructure 15.1%
- Cash 1.0%

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## Market performance by asset class

Market by asset class*	3 month return (%)
Australian bonds	0.38
Global government bonds	-0.44
Australian equities - ASX 200	9.40
Australian equities - ASX 300	9.13
International equities	3.89
International equities (hedged)	7.12
Global real estate	1.31
Global real estate (hedged)	4.05
Global infrastructure	3.58
Global infrastructure (hedged)	6.20
Australian small cap equities	7.54
Emerging markets equities	4.01

\*Refer to disclaimer below for market index for each asset class

## Model Portfolio Performance

- **Performance:** The Model Portfolio delivered a positive return over the quarter, which was driven by both the Model Portfolio's growth asset exposure.
- **Portfolio changes:** The FX hedge level in the Model Portfolios was reduced, underweighting the AUD versus the USD.
- **Asset allocation strategy:** Maintain highly defensive asset allocation positioning.
- **Long term market outlook:** Maintain strategic defensive bias, albeit with a focus on opportunities to acquire undervalued assets despite heightened volatility.

## Asset allocation changes

In the fourth quarter, hedged international and Australian equities performed strongly with increased volatility, contributing +7.1% and +9.1%, respectively. With regard to fixed interest, the sector delivered a mixed result, contributing +0.4% domestically and detracting -0.4% offshore. Finally, our global real estate and global infrastructure asset delivered positive result with +4.0% and +6.2% respectively.

During the quarter, markets across all asset classes were volatile. Despite the positive sentiment from lower-than-expected inflation prints, this was offset by increasing concerns of a global recession, corporate earnings downgrades, the ongoing COVID-19 outbreaks in China and the prevalence of higher terminal cash rates in the US.

Within our Model Portfolio, we remained close to the maximum allowable level of defensiveness. We expect that the Model Portfolio may need to weather heightened volatility given current market conditions. We expect to retain this defensive positioning for some time. However, should valuations in growth assets improve significantly or the trajectory of global monetary tightening becomes notably less aggressive, our focus will shift accordingly to focus on capturing upside opportunities within growth assets.

We reduced the currency hedge level with the Model Portfolio at the beginning of December to take advantage of a stronger AUD against the USD. This movement translated into a more defensive stance within our positioning.

## Asset allocation strategy and outlook

In 2022, hedged international and Australian equities detracted -18.3% and -1.8%, respectively. In fixed interest, domestic fixed interest detracted -9.7% and -13.1% offshore. Finally, our global listed infrastructure asset and global listed real estate also detracted -4.2% and -24.2% respectively. Clearly, 2022 was a challenging year for investors, in which market participants placed acute focus on inflation, the risk of stagflation and the tightening of financial conditions. As a result, the majority of asset classes experienced significant drawdowns. We were defensively positioned through 2022, focusing primarily on downside risk management, which limited portfolio drawdowns to a degree. In sector allocation, our long-held overweight bias towards Australian equities, Australian fixed interest and global infrastructure also aided in minimising portfolio losses.

As we enter 2023, we continue to expect a challenging market environment, albeit distinctive from 2022. In 2023, we expect market participants will instead focus on the risk of recession, a potential rise in unemployment, anticipated downward corporate earnings revision and liquidity risks. Therefore, we expect asset market volatility will remain elevated. However, should valuations improve, our focus will shift accordingly aiming capture opportunities to acquire undervalued growth assets, despite the heightened volatility, or as postulated by Warren Buffet be "greedy when others are fearful". Ultimately, we believe that this mentality is appropriate based on our current portfolio

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positioning and market outlook for 2023, aiming to navigate what we expect to be a challenging but potentially prosperous year. For further detail please refer to our 2023 Macquarie Access and Evolve Strategic Asset Allocation Outlook.

With regard to inflation, short term indicators are suggesting that inflation has now peaked. However, given the robust labour market, inflation may remain elevated, relative to central bank targets, for a considerable period. While the prospects of continued moderating inflation without a recession (soft-landing) will be a welcomed scenario for the global markets, we are starting to see early signs of demand destruction from the current high levels of interest rates. As a result, we believe that the 'soft landing' scenario will be unlikely.

Our takeaway from the current state of play is two-fold. First, the risk of continued increases in the rate of inflation has reduced. Second, elevated inflation, while less likely to increase further, will be more persistent than we had initially anticipated. We have previously commented that we believed higher, faster increases in cash rates may elevate economic and geopolitical risks globally. We believe the likelihood of a negative tail risk event has increased significantly as cash rates have crept higher. We see these risks as being compounded by expectations of higher peak interest rates, which will also be expected to persist for longer. To sum up, the macro developments in December continue to reinforce our market outlook, specifically that significant downside risks to growth assets remain.

### Underlying fund holdings

Fund	APIR code	Portfolio (%)
Macquarie True Index Australian Shares Fund	MAQ0288AU	29.0
Macquarie True Index International Equities Fund	MAQ0633AU	20.7
Macquarie Hedged Index International Equities Fund	MAQ0421AU	0.0
Macquarie True Index Global Real Estate Securities Fund	MAQ0832AU	0.0
Macquarie Hedged Index Global Real Estate Securities Fund	MAQ0830AU	7.0
Macquarie True Index Global Infrastructure Securities Fund	MAQ0831AU	5.0
Macquarie Hedged Index Global Infrastructure Securities Fund	MAQ0829AU	10.1
Macquarie True Index Australian Fixed Interest Fund	MAQ0211AU	17.1
Macquarie Hedged Index Global Bond Fund	MAQ0266AU	10.1
Cash	-	1.0

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**For queries regarding your managed account, please contact your adviser or the managed account provider.**

**For any investment related queries, call us on 1800 814 523 or email [mam.clientservice@macquarie.com](mailto:mam.clientservice@macquarie.com)**

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### Market indices for asset classes

**Australian bonds:** Bloomberg AusBond Composite 0+ Yr Index; **Global government bonds:** JPM Government Bond Index; Australian equities: ASX 200 Accumulation Index and ASX 300 Accumulation Index; **International equities:** MSCI World ex-Australia ex-Tobacco Index; **International equities (hedged):** MSCI World ex-Australia ex-Tobacco Hedged Net Total Return Index; **Global real estate:** FTSE EPRA Nareit Developed Net Total Return Index (in AUD (unhedged)); **Global real estate (hedged):** FTSE EPRA Nareit Developed Index Net Total Return Index (hedged in AUD); **Global infrastructure:** S&P Global Infrastructure Index (Net Total Return in \$A); **Global infrastructure (hedged):** S&P Global Infrastructure Index (Net Total Return \$A Hedged); **Australian small cap equities:** ASX Small Ordinaries Accumulation Index; **Emerging markets equities:** MSCI Emerging Markets Index (\$A unhedged).