



# Macquarie ETFs

## Core Equity Active ETFs

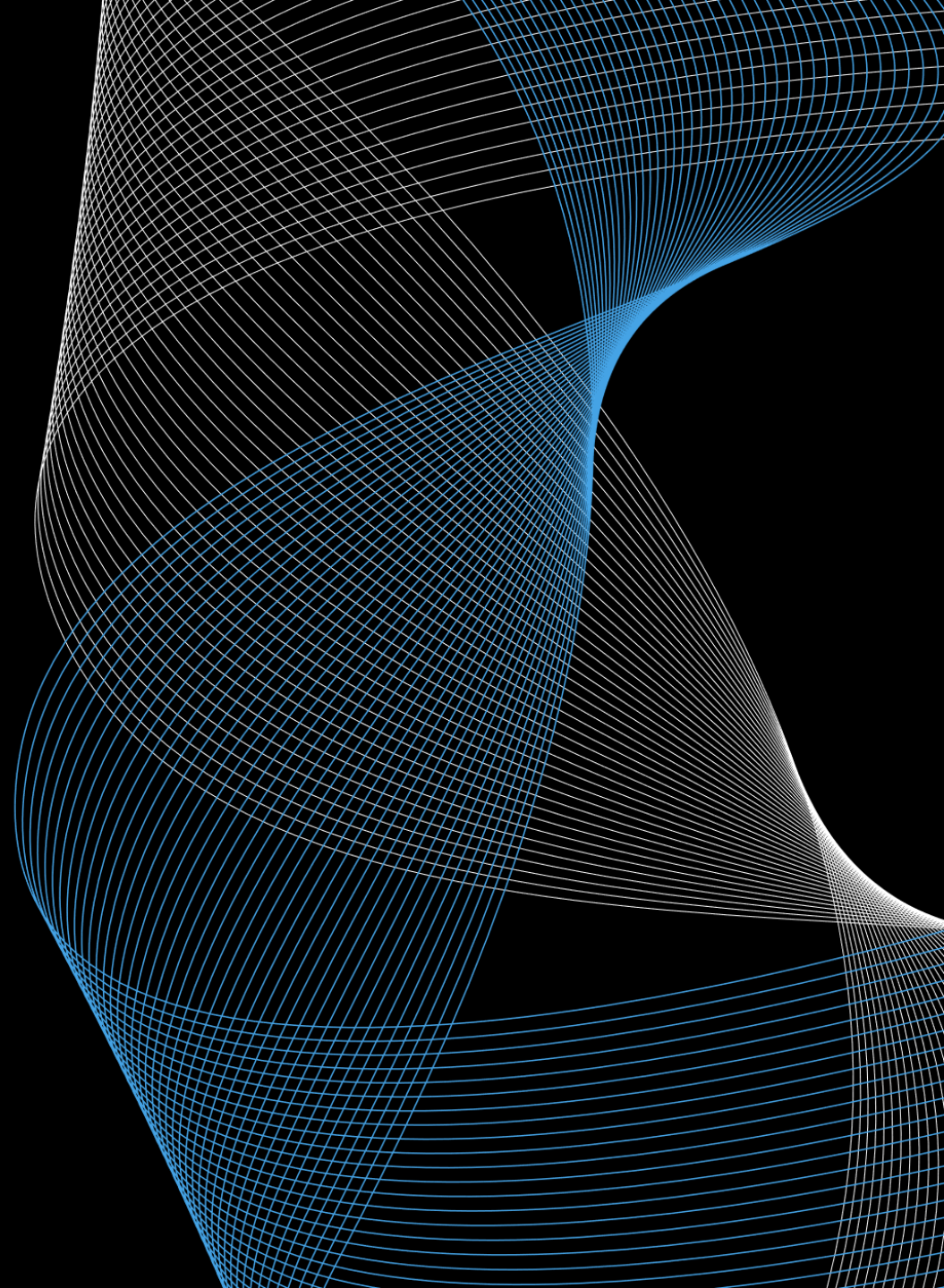
ASX:MQAE

Macquarie Core Australian Equity Active ETF

ASX:MQEG

Macquarie Core Global Equity Active ETF

[etf.macquarie.com](https://etf.macquarie.com)



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The Target Market Determination (TMD), available at [macquarie.com/mam/tmd](http://macquarie.com/mam/tmd), includes a description of the class of consumers for whom the Fund is likely to be consistent with their objectives, financial situation and needs.

The Macquarie Core Global Equity Active ETF (Managed Fund) is designed for consumers who: are seeking capital growth and income distribution, are intending to use the Fund as a core component, minor or satellite allocation within a portfolio, have a minimum investment timeframe of five years, have a high or very high risk/return profile for that portion of their investment portfolio, and require the ability to have access to capital within one week of request.

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Let's begin with some introspection

Let's begin with some (honest) introspection

Let's begin with some (honest) introspection

Let's begin with some (honest) introspection



Did you, during COVID, buy extra toilet paper?

# Let's begin with some (honest) introspection



Did you, during COVID, buy extra toilet paper?



Who believes they are an 'above average' driver?

# Let's begin with some (honest) introspection



Did you, during COVID, buy extra toilet paper?



Who believes they are an 'above average' driver?



Who thinks about (in detail) what you would do with the money after winning the lottery?

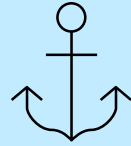


# Human biases exist and impact decision making



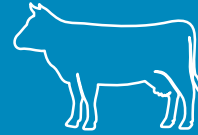
## Narrative Fallacy

Investing based on stories rather than evidence



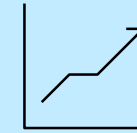
## Anchoring

Using previous prices as a basis for determining value



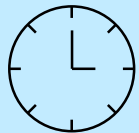
## Herding

Investors copying actions of earlier investors



## Overreaction

Investors overreacting to new information such that securities become overbought or oversold



## Recency bias

Investors placing too much emphasis on more recent experiences



## Loss Aversion

The tendency for investors to be more focused on avoiding losses than making gains



## Lottery effect

Accepting a high probability of poor returns for a small chance of earning large returns



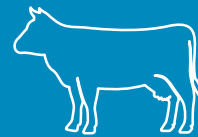
## Overconfidence

The tendency for investors to overestimate their abilities

# Human biases exist and impact decision making

77% of all grocery stores in the United States were out of stock of toilet paper for most of the day on March 23, 2020<sup>1</sup>

a basis



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The tendency for investors to overestimate their abilities

1. Source: NC Solutions. (2020c, July 14). When U.S. Toilet Paper and Paper Towels Were Out of Stock. <https://www.ncsolutions.com/covid/paper-goodstockouts/>

# Human biases exist and impact decision making



## Narrative Fallacy

Investing based on stories rather than evidence



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Using previous prices as a basis for determining value



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## Recency bias

Investors placing too much emphasis on more recent experiences



## Overconfidence

The tendency for investors to overestimate their abilities

80%

of people surveyed believed they were better than average at driving<sup>1</sup>

1. Source: McCormick, Walkey and Green (1986) – Comparative perceptions of driver ability – A confirmation and expansion.

# Human biases exist and impact decision making



## Narrative Fallacy

Investing based on stories rather than evidence



## Anchoring

Using previous prices as a basis for determining value



## Herding

Investors copying actions of earlier investors



## Overreaction

Investors overreacting to new information such that securities become overbought or oversold



Recency bias  
In investing, there is an emphasis on more recent experiences

Chances of winning the lotto are 1 in 134,490,400<sup>1</sup>

Investors tend to be more focused on avoiding losses than making gains



Investors tend to be more focused on avoiding losses than making gains



## Lottery effect

Accepting a high probability of poor returns for a small chance of earning large returns



## Overconfidence

The tendency for investors to overestimate their abilities

1. Source: help.thelott.com, chance of winning the division one Powerball based on one standard game

# These biases can be applied to investing

*The lottery effect can lead to poor outcomes for investors*

## Lottery effect

*Accepting a high probability of poor returns for a small chance of earning large returns*

### Leads to...

Over-paying on a risk versus return basis

### Financial metrics (signals)

- Price volatility
- ROE
- Earnings stability

### Typical investor group

- Growth style
- Quality style



## Overreaction

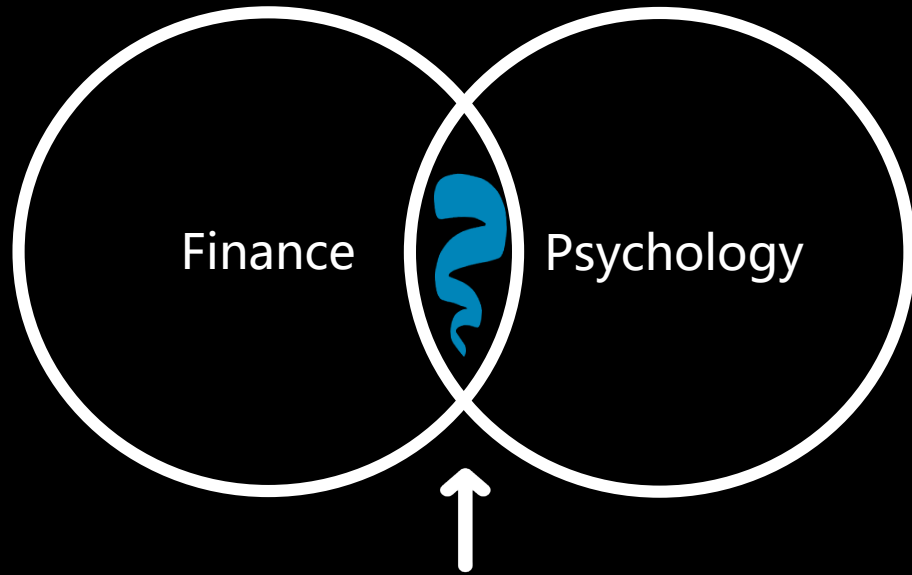
Investors overreacting to new information such that securities become overbought or oversold



## Overconfidence

The tendency for investors to overestimate their abilities

# Why does understanding human biases matter for investors?



## Behavioural Finance

/bɪˈheɪvjərəl fiˈnɑːns/  
noun

1. The combination of **cognitive psychological theory** and **conventional finance** to provide explanations for why people make irrational investment decisions



"Algorithms that are constructed on the back of statistical analyses often outperform human judgment, even that of expert [investors]."<sup>2</sup>



Daniel Kahneman  
Nobel Prize winning economist

# What is Systematic (or quantitative) investing?

## Index Investing

Style  
Passive

Investment Outcomes  
Index minus a fee

Index only returns

Tracks an index seeking to  
deliver exactly index  
returns  
(before fees)

## Systematic Investing

Style  
Active

Investment Outcomes  
Potential above index returns

Generally aiming for  
moderate outperformance of  
the index

Uses big data to analyse  
*all* stocks making small  
bets above or below index  
weights

## Fundamental Investing

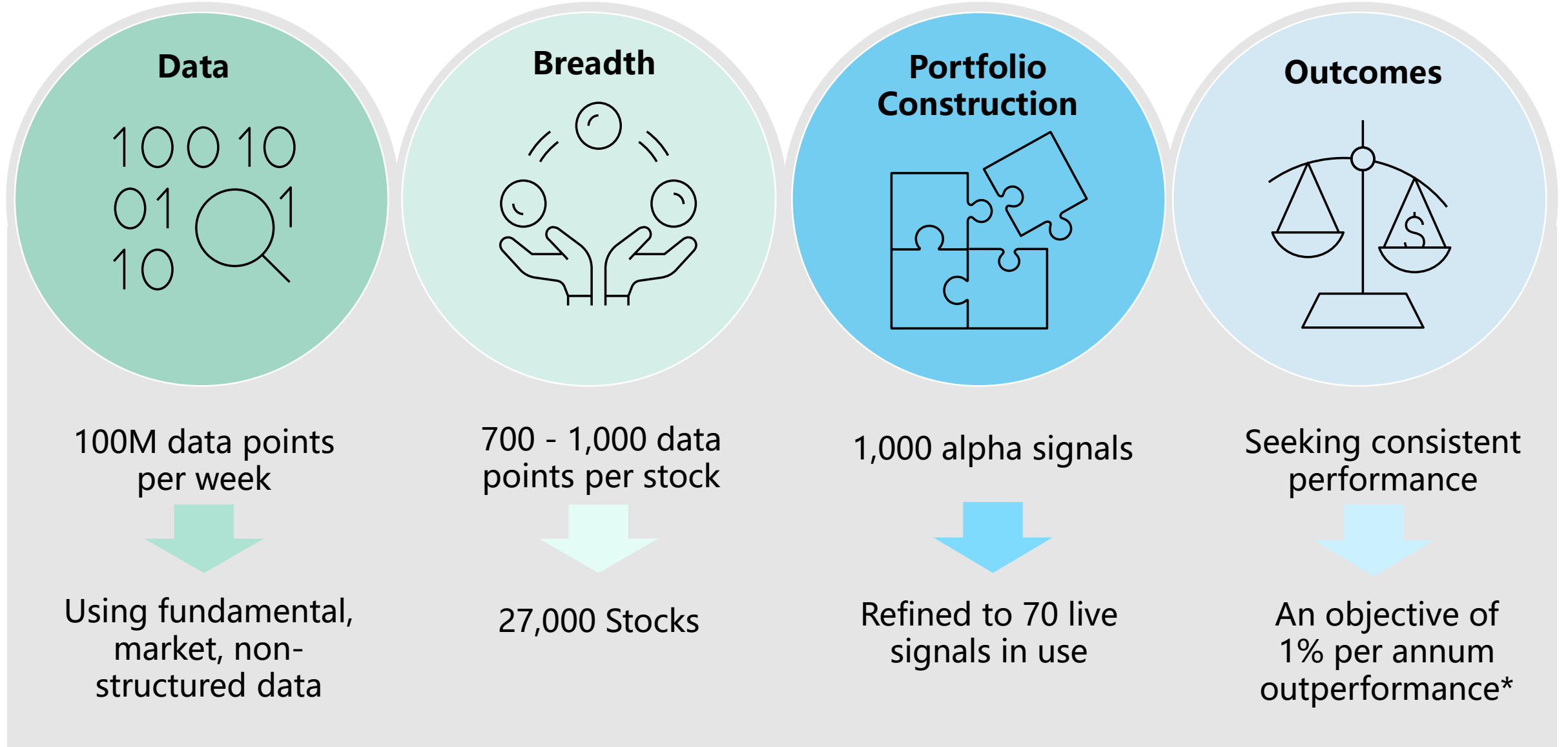
Style  
Active

Investment Outcomes  
Potential above index returns

Generally aiming for  
higher outperformance of the  
index

Individual stock pickers (or  
portfolio managers) form  
views of companies  
utilising fundamental  
analysis

# There is no DIY in systematic investing

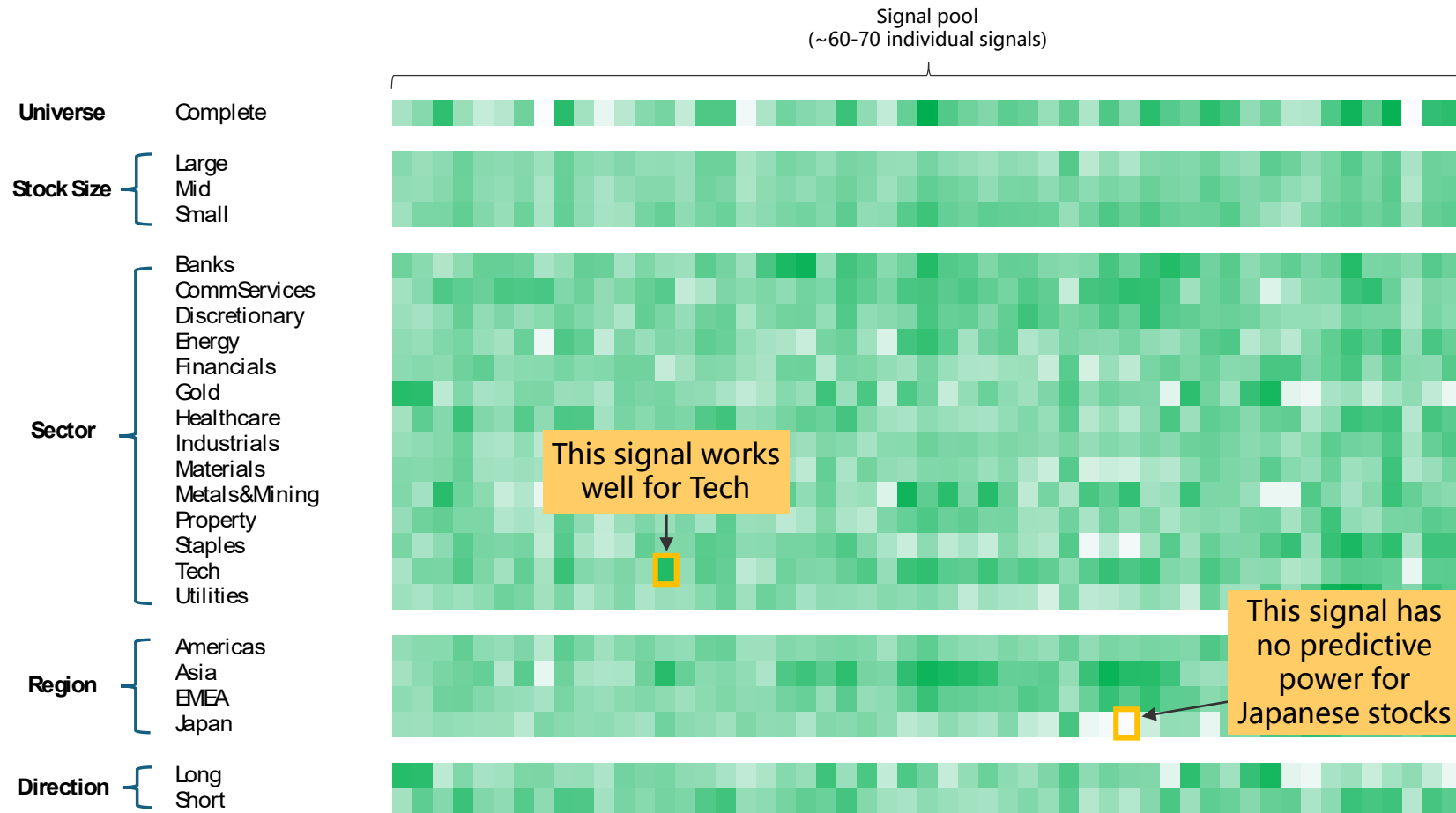


\*over rolling 5-year periods



# Signals provide the predictive power

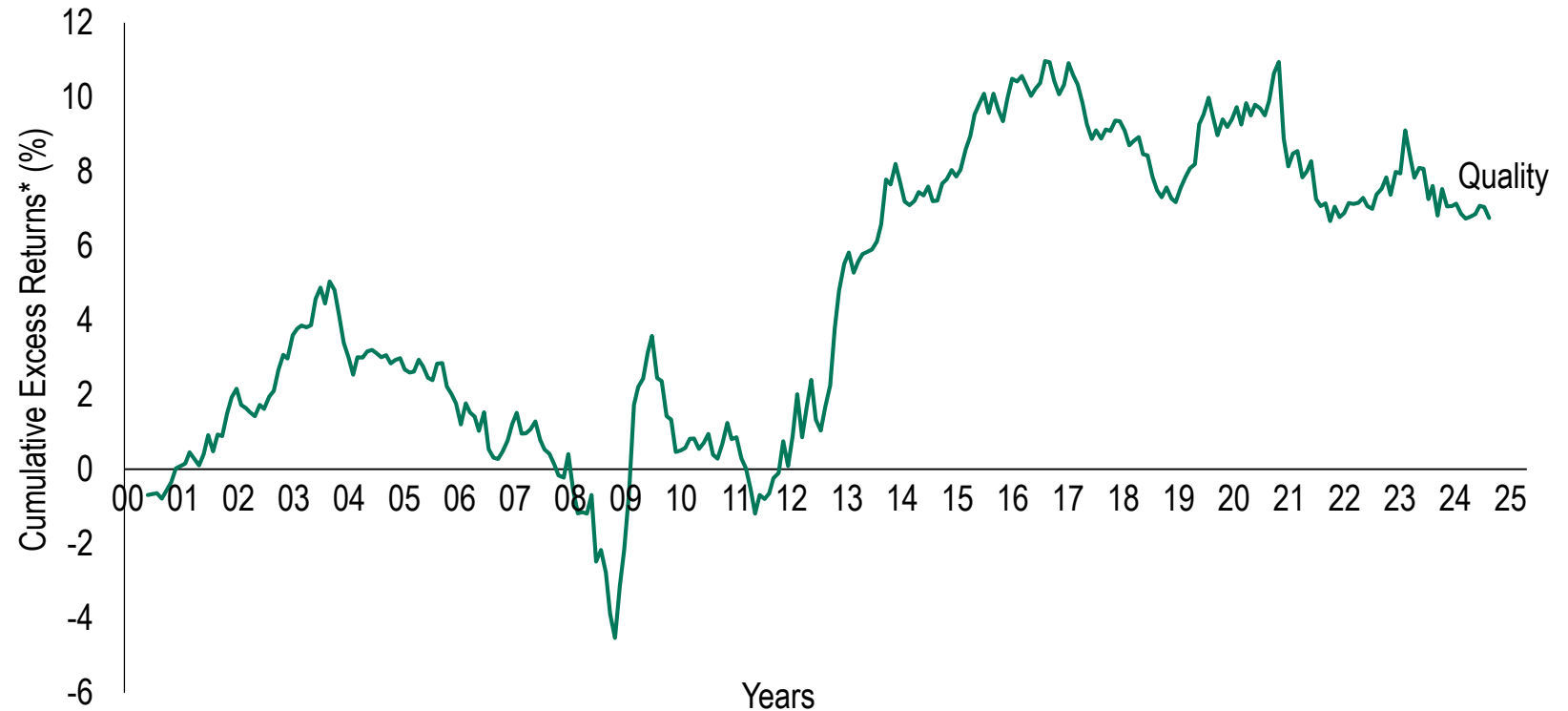
Each signal is weighted and plays a role across the stock universe



All stocks in the investment universe are ranked from the strongest to the weakest alpha expectations

# A Quality signal may outperform in certain market conditions

● Quality signal  
(Price Volatility)



\*Cumulative excess returns above the S&P/ASX 300 Accumulation Index.

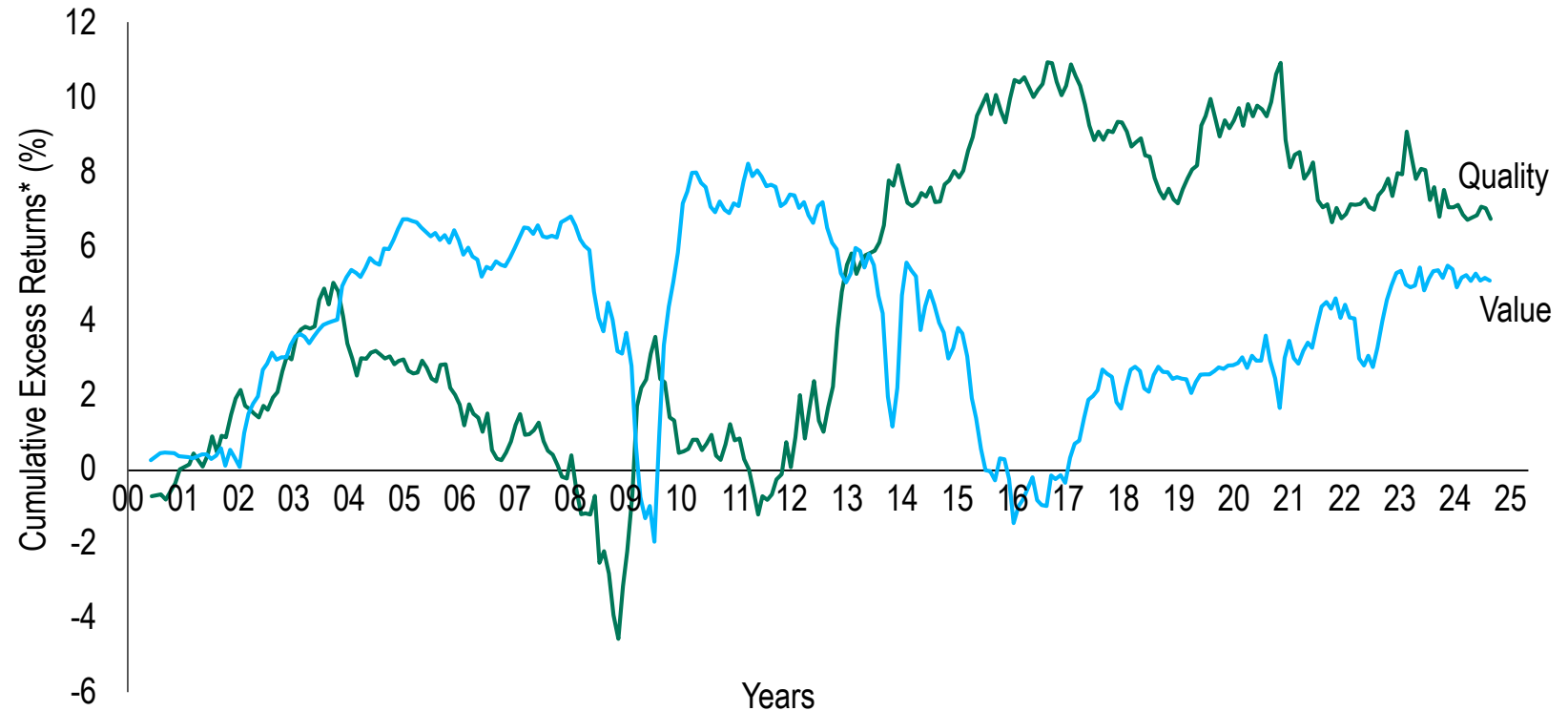
This graph is for illustrative purposes only, is not representative of any Macquarie fund or portfolio and should not be taken to be investment advice. **No representation is being made that a portfolio based on the above signals will or is likely to achieve profits of losses similar to the results generated by the analysis. Past performance is not a reliable indicator of future performance.**

Source: Macquarie. Based on simulated historical performance from 1 January 2000 to 31 May 2024. The simulations have been generated to provide an illustrative-only indication of the hypothetical performance of a portfolio which optimises for only one signal (or combination of signals) over a period of time. The model does not reflect the complexities of actual investing and there are many material factors that may affect actual results that the model does not account for, including those relating to the markets in general, the impact of fees and expenses, liquidity, activity and other factors, all of which may adversely affect actual performance.

# While a Value signal performs well at other times

Quality signal  
(Price Volatility)

Value signal  
(Cash Flow Yield)



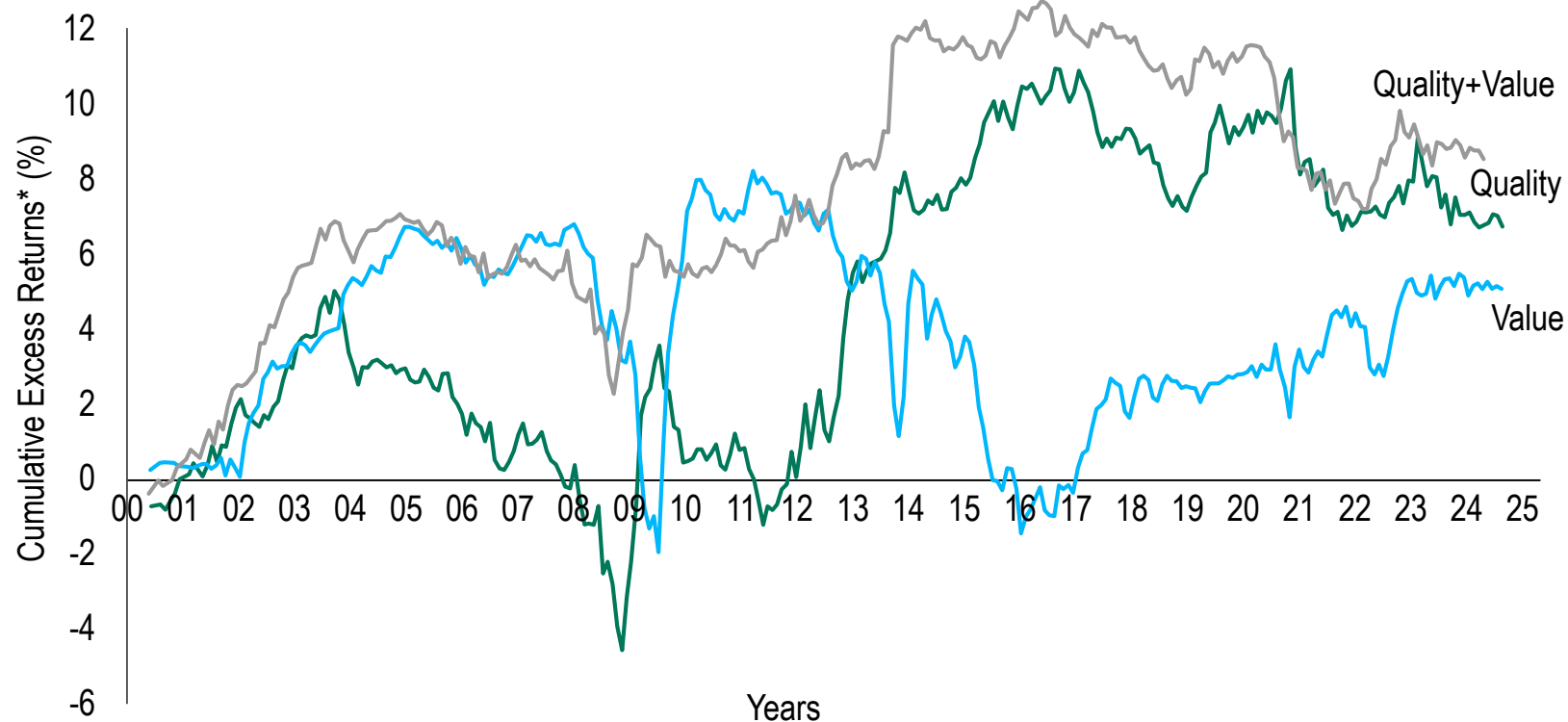
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# Combining two signals can produce more consistent returns

- Quality signal (Price Volatility)
- Value signal (Cash Flow Yield)
- Quality + Value



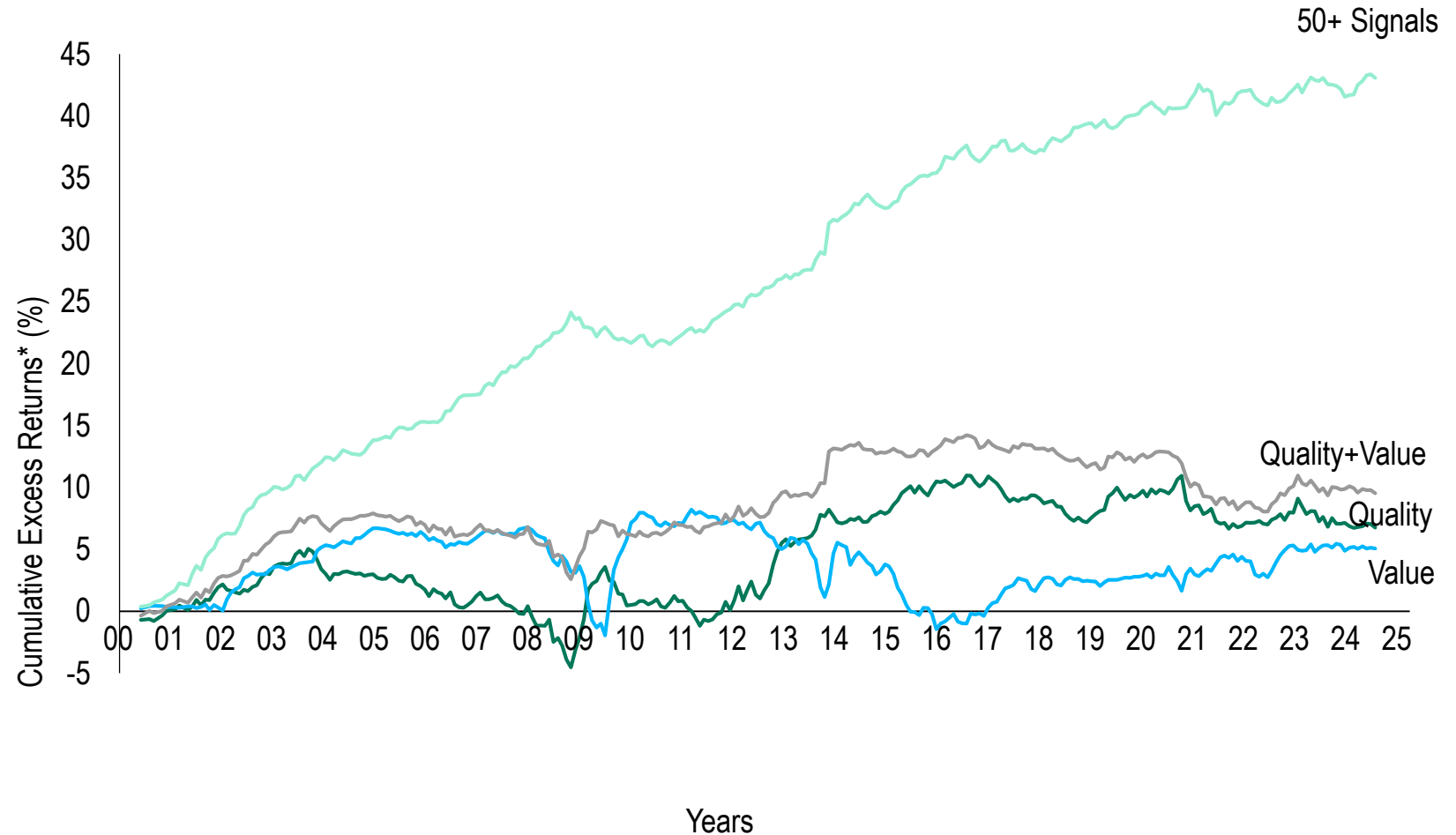
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# Finding the optimal mix of signals is the goal of systematic investing

- Quality signal (Price Volatility)
- Value signal (Cash Flow Yield)
- Quality + Value
- 50+ Signals



\*Cumulative excess returns above the S&P/ASX 300 Accumulation Index.

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# Consistency is key

One of the hardest aspects of investing is being consistent

The 'consistent alpha' checklist:

- How long is the track record of the manager of the fund?
- How has the manager done in different market cycles?
- To get the return or alpha how much risk did the manager take?
- How did the manager perform in drawdowns?

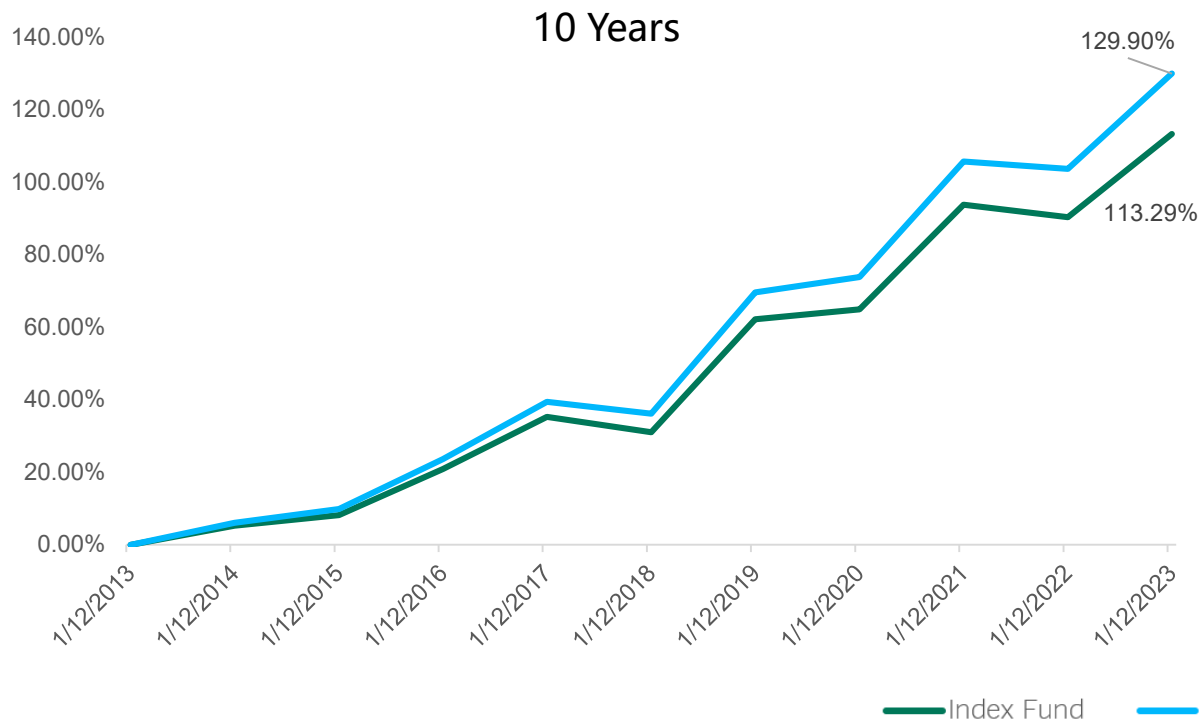
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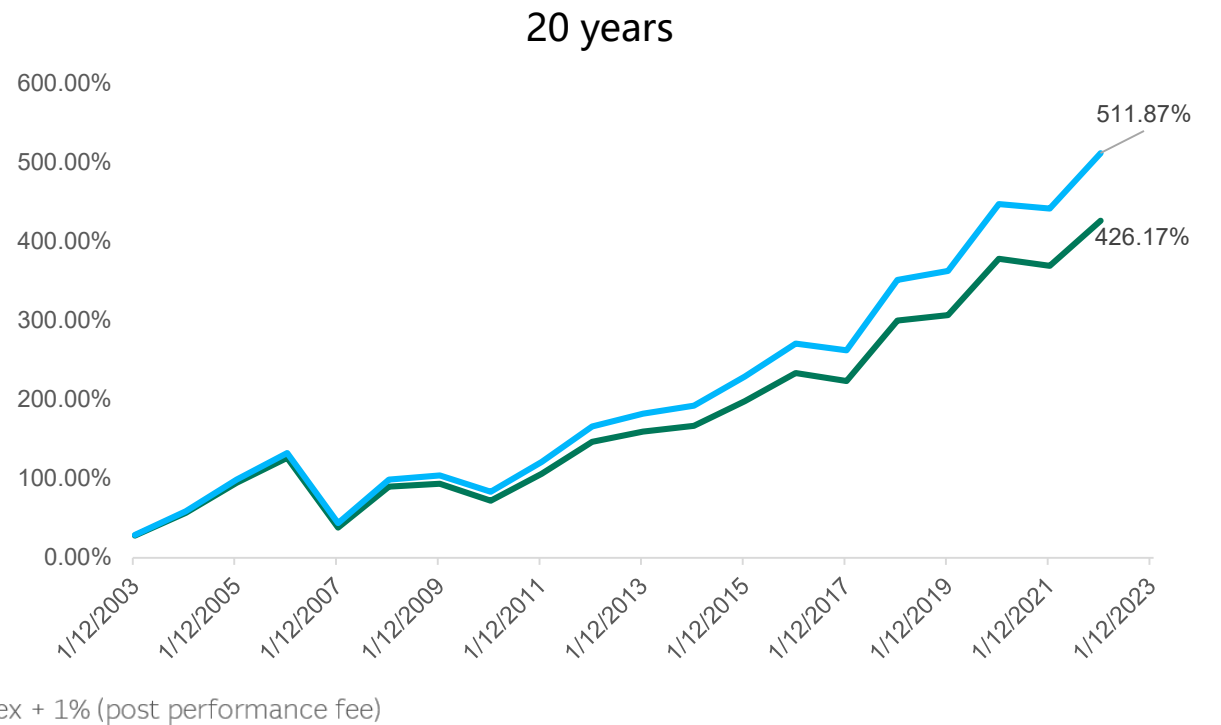
# Why Alpha matters over the long term

Even a small amount like 1% p.a. can have large return impacts due to compounding

Over 10 years = 16% difference in total returns



Over 20 years = 85% difference in total returns



Past performance information above is to illustrate the effects of compounding only and is not a reliable indicator of past or future performance of any Macquarie fund. Future results are impossible to predict. This graph does not display the past performance of any Macquarie fund and there is no promise or guarantee that a Macquarie Fund will achieve their investment objectives.

Source: ASX300 Accumulation Index (Index). Index fund returns above represent the return of the Index minus 0.04% management fee which is indicative of the lowest fee passive ETF available as at 25/09/2024. Index return +1% return above assumes Index return net of 0.03% management fee and a 20% performance fee.



**ASX:  
MQAE**

Macquarie Core Australian  
Equity Active ETF

Giving investors access to a  
finely-tuned portfolio of  
around 100 – 200 ASX shares

- **Inception:** May 2024
- **Management Fee:** 0.03%
- **Performance Fee:** 20% of outperformance of the Fund (after the management fee and expenses) above the return of the Index, subject to a high watermark

**ASX:  
MQE  
G**

Macquarie Core  
Global Equity Active ETF

Comprises of around  
200 - 500 systematically  
selected global shares

- **Inception:** May 2024
- **Management Fee:** 0.08%
- **Performance Fee:** 20% of outperformance of the Fund (after the management fee and expenses) above the return of the Index, subject to a high watermark



# Significant risks of the Macquarie Core Australian Equity Active ETF

<b>Investment risk</b>	The Fund has exposure to share markets. The risk of an investment in the Fund is higher than an investment in a typical bank account or fixed income investment. Amounts distributed to unitholders may fluctuate, as may the Fund's unit price, by material amounts over short periods.
<b>Market risk</b>	The investments that the Fund has exposure to are likely to have a broad correlation with share markets in general. Share markets can be volatile and have the potential to fall by large amounts over short periods of time. Poor performance or losses in domestic and/or global share markets are likely to negatively impact the overall performance of the Fund.
<b>Security specific risk</b>	Securities and the companies that issue them are exposed to a range of factors that affect their individual performance. These factors may cause an investment's return to differ from that of the broader market. The Fund may therefore underperform the market and/or its peers due to its security specific exposures.
<b>Unlisted securities risk</b>	The Fund may have exposure to securities which are not listed on a securities exchange. Unlisted securities may have a higher risk of loss, and may be difficult to independently value and to sell due to their unlisted nature. Where such securities do list (for example through an initial public offering, or IPO), the listing price may differ materially from the price previously used when calculating the Fund's unit price. Also, securities acquired through an IPO, although expected to be listed on an exchange, may not ultimately become listed.
<b>Default risk</b>	Issuers of securities that the Fund has exposure to may default on their obligations, for instance by failing to make a payment due or by failing to return principal. Counterparties to the Fund may default on a contractual commitment. Default on the part of an issuer or counterparty could result in a loss to the Fund.

More information on the risks of investing in the Fund is contained in the Product Disclosure Statement, which should be considered before deciding to invest in the Fund.

# Significant risks of the Macquarie Core Global Equity Active ETF

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