

**MACQUARIE ASSET MANAGEMENT**

Macquarie Subordinated Debt Active ETF

Seeking to deliver active returns and regular income

The Macquarie Subordinated Debt Active ETF (ASX:MQSD) (Fund) provides investors with the potential to benefit from attractive yields, generated from a diversified portfolio of subordinated debt that is expected to have significant exposure to Australian major banks and other Australian financial institutions.



Yield focused

Subordinated bonds can offer additional yield compared to cash or senior bonds



Greater opportunity set

A wider investment universe, compared to a restrictive passive index, can provide more opportunity for return



Active management

Seeking to capture more alpha potential and reduce risk

Macquarie Subordinated Debt Active ETF

Macquarie Asset Management

Yield focused

The subordinated debt market offers a key source of funding to Australia’s major banks and financial institutions, with subordinated debt generally offering a higher yield than senior bonds or cash.

Australian major banks are an integral part of the Australian financial system and are generally regarded as being some of the most well capitalised banks in the world. By investing the core of its portfolio in Australian bank subordinated debt, the Fund offers investors the potential to benefit from a higher level of yield from these bank issuers compared to senior bonds. This core exposure is complemented by additional potential alpha levers, including exposure to other Australian financial institutions, relative value opportunities as well as select global exposures, all seeking to enhance risk adjusted returns.

Did you know?

Currently, the majority of Australian major bank subordinated bonds are actually issued in global currencies, rather than in Australian Dollars¹. As a global asset manager, Macquarie can access the same Australian issuers trading in global markets at a potentially higher level of yield. This enables the Fund to benefit from the potential for yield enhancement by investing in the same Australian issuer in offshore markets. Importantly, the Fund aims to hedge all foreign currency exposure back to AUD.

Greater opportunity set

By having a wider investment universe than passive or traditional benchmark aware subordinated debt strategies, the Fund provides investors with more opportunities to gain exposure to subordinated debt securities.

A diversified portfolio of subordinated bonds that can invest in all subordinated debt securities denominated in AUD or issued by Australian domiciled issuers represents a broader investible universe compared to investing only in the securities in a subordinated debt index.²



1. As at 30 September 2024.

2. Information is based on Macquarie analysis of the subordinated debt market. The broader subordinated debt investment universe is defined as all AUD subordinated securities and all subordinated securities issued by Australian domiciled issuers. Information is current as at 30 September 2024 and is subject to change.

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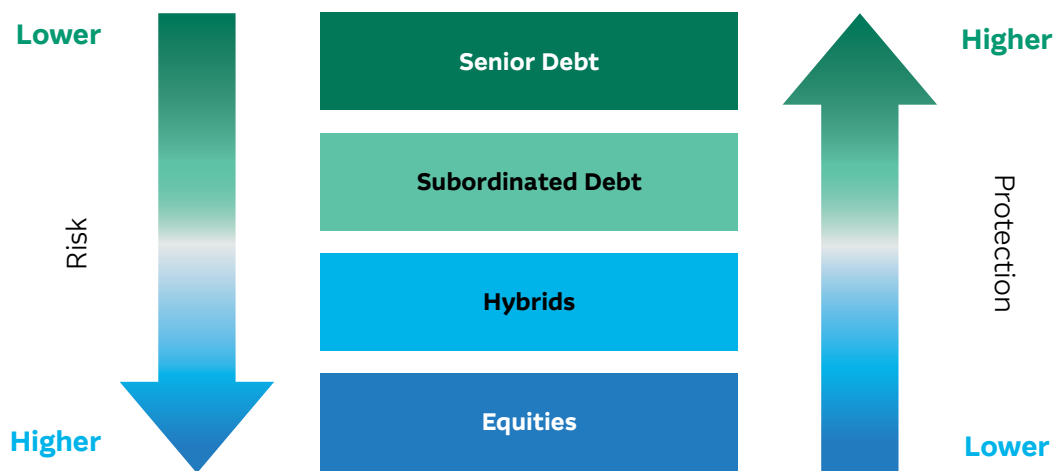
Active management

Macquarie Asset Management is one of Australia's largest and most experienced active fixed income managers. Active management enables investors to benefit from a dedicated team of experts, researching and analysing each and every security in the portfolio.

Within the subordinated debt market, there can be significant market inefficiencies or distortions which active management can take advantage of, seeking to capture alpha opportunities while managing risk. For example, subordinated deals or issuance can offer an additional premium if purchased in the primary market, rather than in the secondary market. An investment manager with strong market relationships and a large presence may be able to secure a greater issuance in the primary market than other investors, and therefore, may be better positioned to generate repeatable and consistent alpha.

What is subordinated debt?

Senior or subordinated debt refers to the ranking of debt within a company's capital structure. Subordinated bonds are typically unsecured debt securities that rank higher than equity and hybrids, but below senior debt securities with respect to a repayment in the event of a default. The higher a security ranks in the capital structure, the lower the risk and the higher the level of protection compared to other securities further down the capital structure. Subordinated debt generally has priority claim over cash flows and assets, ahead of equities but behind senior debt, in a liquidation or default scenario.



About Macquarie Asset Management



Macquarie Asset Management is one of Australia's largest and most experienced cash and fixed income managers. Since 1980, the MAM Fixed Income team has managed cash and fixed income assets, including the launch of Australia's first money market solution. Today, the global team provides a comprehensive suite of Australian and global cash, credit, and fixed income solutions to a diverse range of clients.

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Target investors

The Target Market Determination (**TMD**), available at [macquarie.com/mam/TMD](https://www.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.

Risks

All investments carry risk. Different investments carry different levels of risk, depending on the investment strategy and the underlying investments. Generally, the higher the potential return of an investment, the greater the risk (including the potential for loss and unit price variability over the short term). The risks of investing in this fund include:

Investment risk: The Fund seeks to generate higher income returns than traditional cash investments. The risk of an investment in the Fund is higher than an investment in a typical bank account or term deposit. Amounts distributed to unitholders may fluctuate, as may the Fund's NAV unit price, by material amounts over short periods.

Manager risk: There is no guarantee that the Fund will achieve its performance objectives, produce returns that are positive, or compare favourably against its peers, or that the strategies or models used by the Investment Manager will produce favourable outcomes.

Income securities risk: The Fund may have exposure to a range of income securities. The value of these securities may fall, for example due to market volatility, interest rate movements, perceptions of credit quality, supply and demand pressures, a change to the reference rate used to set the value of interest payments, market sentiment, or issuer default.

More information on the risks of investing in the Fund is contained in the Product Disclosure Statements for each class of units in the Fund, which should be considered before deciding to invest in the Fund.

For more information, call us on 1800 814 523,
email mam.clientservice@macquarie.com, or visit [macquarie.com/mam](https://www.macquarie.com/mam)

Important information

The Fund(s) mentioned above may have multiple classes of units on issue. A separate class of units is not a separate managed investment scheme.

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