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Asset Management at Macquarie releases 2017 Global Investment Outlook with insights from Delaware Investments

– Firm advises investors to continue adjusting to the unexpected –

PHILADELPHIA, December 22, 2016 — The Asset Management business at Macquarie Group today issued its 2017 Global Investment Outlook, an in-depth perspective across global equities, fixed income, multi-asset strategies, and alternatives and real assets, including insights from Macquarie's Delaware Investments.

The outlook, titled *The Way Forward*, outlines key investment themes across global asset classes as investors enter 2017, stressing that worldwide economic and political uncertainty are likely to influence investors next year and could create volatility.

"In many ways, 2016 was a year of the unexpected," said Shawn Lytle, president of Delaware Investments. "It was a time when unprecedented monetary policy did not fulfill the promise of economic stimulus and helped encourage the hunt for yield, when equities continued their unpredictably long bull market run, and when investments like infrastructure were suddenly thrust into the spotlight as all eyes have turned toward fiscal spending."

Lytle added, "The global economic and markets' balancing act, which has dominated the investment environment since the 2007–2008 global financial crisis, continues as the new year approaches. Slowing economic growth is a global phenomenon affecting investors worldwide. While we may see slightly improved growth in gross domestic product (GDP), depending on factors such as fiscal policy development, there also could well be more volatility in 2017."

Following are a few highlights of the firm's outlooks for specific asset classes:

Global equities

Equity markets around the globe, and particularly in the United States, have seen a strong run as unprecedented monetary policies, which were intended to spur economic growth, have not boosted global GDP but have helped to strengthen equities. In 2017, the firm's outlook for equities includes several themes:

- Implications of Donald Trump's presidency will be highly dependent on execution of his plan.
- After the stretched valuations in 2016, we anticipate a period of more modest returns.
- Because of the economic and political uncertainties, careful security selection and active management will be even more critical.

Global fixed income

In recent decades, investors have witnessed a whole new era of monetary policy, complete with low and even negative interest rates from central banks around the world. In the more immediate past, globalization and productivity gains have shifted from high gear to a screeching halt. In the year ahead, policy makers and markets will navigate the next steps in this uncharted territory.

"The markets have become relatively dependent on monetary policy support, and one outcome has been that global growth rates have continued to be lackluster," said Brett Lewthwaite, co-head of fixed income. "Because growth never meaningfully materialized as intended, financial markets have been experiencing significant economic uncertainty, and now they're also facing rising political uncertainty. As such, 2017 is shaping up to be even more volatile than 2016."

The firm's fixed income outlook for 2017 includes several themes:

- We anticipate a year of coupon-like returns and incremental changes.
- The search for yield is likely to continue.
- Small, incremental steps in monetary policy are possible around the globe, with fiscal policy in the discussion.
- Political upheaval and protectionist trends are the key risks — particularly with the implications of the Brexit vote and the U.S. presidential election — although the true economic outcome of such movements remains to be seen.

"Macroeconomic structural challenges persist throughout the world," said Roger Early, co-head of fixed income. "Not only is growth sluggish at best, but there's a growing amount of global debt with debt-to-gross domestic product at historic levels. For the fixed income market, we see 2017 still very much as a story of the search for yield. There may be pockets of relative value, such as in the U.S., but we don't see the yield chase diminishing. This can be troubling for those investors who stretch for yield even to the point of taking risks that may go beyond their normal risk parameters."

Multi-asset strategies

In light of low bond yields undercutting pure fixed income strategies, along with the stretched valuations and potential for volatility that equity investors have seen, it's not surprising that many seem to consider the more risk-balanced allocation strategies that multi-asset portfolios can offer. These can be unconstrained in the asset classes explored, but — particularly in the context of an uncertain environment likely to continue into 2017 — they should be constrained in terms of risk. The firm sees no magic-bullet solution, but multi-asset strategies, by combining a variety of asset classes in a single offering, can be diversified yet blended enough to help provide an investing path, especially in a yield-chasing environment.

To view the complete 2017 Outlooks visit: https://www.delawareinvestments.com/outlooks

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(ASX: MQG; ADR: MQBKY), a global provider of asset management, investment, banking, financial, and advisory services with US$376 billion in assets under management as of Sept. 30, 2016.

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