

Media release

Macquarie Investment Management Releases 2021 Global Investment Outlook: Resolve Amid Disorder

An environment of challenging fundamentals, volatility, and uncertain fiscal policy highlights the importance of long-term active management



PHILADELPHIA, Dec.15, 2020 — Macquarie Investment Management today issued its “Outlook 2021: Resolve Amid Disorder,” which provides in-depth commentary on global equities, fixed income, and alternatives, analyzing the impact of COVID-19, monetary and fiscal policy responses, and other key factors.

“Despite a range of risks ahead, we expect the global economy to gain momentum in the new year with vaccine distribution already underway serving as a major tailwind,” said Shawn Lytle, global head of Macquarie Investment Management and president of Delaware Funds® by Macquarie. “We believe the path forward will rely on discerning active management, with opportunities present among global equities, fixed income, and alternatives, and investors continuing to navigate a degree of volatility and uncertainty.”

Following are highlights of the firm’s 2021 outlook for specific asset classes:

Global equities

“Some have questioned whether equity markets have become overly optimistic and too quick to shrug off the black swan event of the pandemic,” said John Leonard, global head of equities for Macquarie Investment Management. “We think a clear view of the pandemic’s effects is essential, including understanding the seemingly elevated valuations in some US stocks. If conditions begin to normalize in 2021, we think lagging segments will begin to outperform, such as value stocks, cyclicals, industrials, financials, small-cap versus large-cap, and non-US stocks outperforming US equities.”

Macquarie Investment Management sees the following market themes across its boutique equity investment teams:

- The combination of large amounts of monetary and government stimulus, along with continuing super-low interest rates, may be steering investors more toward equities in the current environment.
- With less liquidity, less news coverage, and fewer analysts covering them than large-caps, small-caps offer inefficiencies that can mean opportunities for investors. Amid the volatility of 2020, not all have survived – but those that have tend to be solid, with depressed valuations that can spell opportunities.

- US equities may look disproportionately expensive because of a handful of large stocks – mainly technology such as the so-called FAANG stocks – driving the market. By accounting for these, we found that US equities tend to fall along the historical line of relative US valuations versus those of other developed markets, and as such, non-US stocks may be positioned to outperform US equities.
- Coming out of a volatile 2020, emerging markets – excluding China – have been down substantially, but we believe the growth dynamics that existed prior to the crisis continue relatively unchanged and we see opportunities to invest on a rebound in these markets as COVID-19 fears subside.

Global fixed income

“We ask ourselves whether 2021 and the decade ahead can be the start of a genuine transfer of policy burden from exhausted monetary programs toward more sustainable fiscal programs – the much-needed boost for the global economy,” said Brett Lewthwaite, chief investment officer and global head of fixed income for Macquarie Investment Management. “One of the biggest risks to our outlook is the lack or too early withdrawal of fiscal programs, particularly in the United States, where a likely divided Congress may disappoint on delivering a sufficient stimulus package.”

- The starting point for our 2021 outlook is that fundamentals remain challenging, particularly as the virus continues to spread.
- We hope for a successful vaccine and wide distribution, but fear that financial markets have embraced the news and not the logistical realities.
- We could likely see a continuation of the monetary policy patterns of the past, and with them, the very real prospect of an even lower for even longer period ahead for fixed income markets.
- With monetary policy exhausted and inequalities rising, and potentially without sustained fiscal responses, the absence of attractive sovereign yield is expected to maintain an insatiable chase for yield in the riskier markets.

Real assets and alternatives

“Infrastructure and real assets provide essential services, have continued to operate through the pandemic, and have shown resilience through the current environment,” said Jenny Chan, managing director at Macquarie Infrastructure and Real Assets (MIRA). “2020 has certainly highlighted the benefits for investors of holding a diversified portfolio of infrastructure investments across a number of sub-sectors. While certain infrastructure assets are directly tied to general macroeconomic factors, digital infrastructure assets like data centers, wireless towers, and fiber networks don't have that same correlation. We expect to see these assets continue to deliver strong growth in 2021, driven by ongoing end-user data demand and movement of data to the cloud.”

- We will likely see increasing investor focus on ESG factors, particularly sustainability, in infrastructure investments.
- We expect to see strong investor demand and further investment in infrastructure related to energy transition, decarbonization, and addressing expected climate change impacts over time.
- We believe the Biden administration will look to encourage further infrastructure activity across the US, which may include initiatives such as the introduction or extension of certain tax incentives, grant programs, increased federal government lending, and asset recycling.

To view the complete 2021 Outlooks: [click here](#)

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Macquarie Asset Management (MAM) is the asset management division of Macquarie Group. MAM is a full-service asset manager offering a diverse range of products including securities investment management, infrastructure and real asset management, and fund and equity-based structured products. MAM is comprised of two groups, Macquarie Infrastructure and Real Assets (MIRA) and Macquarie Investment Management (MIM).

About Macquarie Investment Management

Macquarie Investment Management is a global asset manager with offices in the United States, Europe, Asia, and Australia. As active managers, we prioritize autonomy and accountability at the team level in pursuit of opportunities that matter for clients. Our conviction-based, long-term approach has led institutional and individual clients to entrust us to manage more than \$US242.4 billion in assets as of Sept. 30, 2020. In the US, retail investors recognize our Delaware Funds® by Macquarie family of funds as one of the longest-standing mutual fund families, with more than 80 years in existence. Macquarie Investment Management is a division of Macquarie Asset Management, a global asset manager with more than \$US397.4 billion in assets under management as of Sept. 30, 2020.

About Macquarie Infrastructure and Real Assets

Macquarie Infrastructure and Real Assets (MIRA) is one of the world's leading alternative asset managers. For more than 25 years, MIRA has partnered with investors, governments and communities to manage, develop and enhance assets relied on by more than 100 million people each day. At 30 September 2020, MIRA managed approximately \$US146 billion in assets that are essential to the sustainable development of economies and communities, including; 147 portfolio businesses, approximately 500 real estate properties and 4.8 million hectares of farmland.

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