MPC MARKETS

INCOME

RECOMMENDATION

MACQUARIE

MQG:ASX
November 2024

GENERAL ADVICE ONLY - THIS RECOMMENDATION IS GENERAL ADVICE ONLY AND DOES NOT TAKE INTO ACCOUNT YOUR SPECIFIC CIRCUMSTANCES

MACQUARIE GROUP LIMITED
MQG:ASX

MPC MARKETS

INCOME RECOMMENDATION

Macquarie Group Limited MQG:ASX

Macquarie Group is a diversified financial services company providing asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advisory, capital raising and principal investment solutions.

As Australia's largest investment bank and asset manager, Macquarie has built a global presence across 34 markets.

The company operates through four key business segments: Macquarie Asset Management (MAM), which manages over A$900 billion in assets; Banking and Financial Services (BFS), providing retail banking and wealth management services in Australia; Commodities and Global Markets (CGM), offering risk management, market access and capital solutions; and Macquarie Capital, which combines specialist expertise, innovative advice and flexible capital solutions for clients.

Macquarie's business model is highly diversified by both business segment and geography, with over 65% of income generated outside Australia.

The company has a strong track record of identifying and capitalizing on new market opportunities, particularly in areas like infrastructure, renewables, and digital assets.

Empowering people to innovate and invest for a better future

Global financial services group

- **Headquartered** and listed in Australia
- **Top 10** Australian company with **~$A76.5 billion** market capitalisation[1]
- **20,666** employees globally in 34 markets[2]
- **$A3.5 billion** net profit in FY24
- **$A938.3 billion** assets under management[3]

Diverse business mix

A diversified financial services group providing clients with asset management and finance, banking, advisory, and risk and capital solutions across debt, equity and commodities

Long-term orientation

- **55 years** of unbroken profitability
- **14% average return on equity** over last 18-years
- **9%** earnings per share 10-year CAGR[4]
- **5%** dividend per share 10-year CAGR[4]
- Consistently outperformed major indices since listing
- **Strong funding and capital position**, with **$A8.2 billion** of surplus capital as at 30 Jun 24[5]

Outcomes-focused culture

- **Opportunity** for our clients, communities and staff
- **Accountability** for outcomes
- **Integrity** in everything we do

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INVESTMENT CONSIDERATIONS

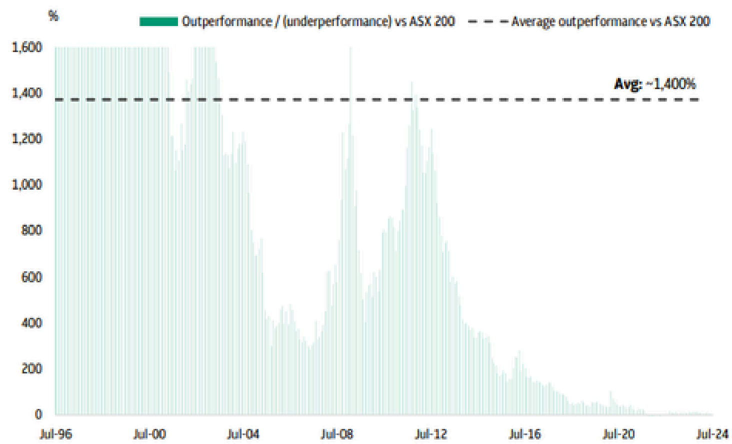
Leadership

CEO Shemara Wikramanayake has successfully led Macquarie since 2018, continuing its track record of innovation and growth. As Macquarie's first female CEO, she has further emphasized the company's focus on diversity and inclusion. Wikramanayake has been with Macquarie for over 30 years in various senior roles, giving her deep insight into the business. Under her leadership, Macquarie has continued to expand globally while maintaining its strong risk management culture. The broader management team is highly experienced and has a proven ability to identify and capitalize on new market opportunities. Macquarie's decentralized management structure empowers business leaders to act entrepreneurially while operating within a strong risk management framework. The company has a strong focus on talent development, with many senior leaders having risen through the ranks. Macquarie's board of directors provides effective oversight and is well-regarded for its governance practices. Overall, Macquarie's leadership team has demonstrated an impressive ability to navigate complex global markets while consistently delivering strong returns to shareholders.

Financial Performance

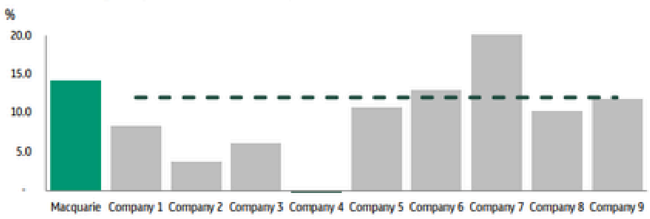
For purchases made and held to sale Macquarie has generally outperformed the ASX 200, Diversified Financials and MSCI World Capital Markets Index, with 10-year average return on equity of 14%, exceeding the average of a reference group of peers

Total shareholder return (TSR) of MQG compared to ASX 200



	Outperformance vs ASX 200[1]	Outperformance vs ASX 200 Diversified Financials[1]	Outperformance vs MSCI World Capital Markets Index[1]
Since listing	14,006%	n/a[2]	n/a[2]
10 years	364%	345%	372%
5 years	57%	70%	13%

Reference group[3] ROE over ten years FY2015-24



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Valuation

Trading at a P/E of 15.5x FY2025 earnings, Macquarie is attractively valued compared to global peers, especially considering its strong growth profile and diversified earnings base. The company has a consistent track record of delivering returns on equity in the mid-teens, well above its cost of capital. Macquarie's book value per share has grown at a 10% CAGR over the past decade, reflecting its ability to profitably reinvest earnings. The company's dividend yield of 4.5% is attractive, with dividends having grown at a 5% CAGR over 10 years. Macquarie's valuation appears particularly compelling given its strong positioning in high-growth areas like infrastructure, renewables, and digital assets. The company's asset management business provides a stable annuity-style earnings base, while its markets-facing businesses offer upside potential in favorable market conditions. Macquarie's strong capital position and conservative balance sheet provide flexibility for future growth investments. Overall, the current valuation offers an attractive entry point for long-term investors to gain exposure to Macquarie's diversified global platform and growth potential.

Sociological Factors

Macquarie has positioned itself as a leader in financing the transition to a low-carbon economy, with over A$50 billion invested in renewable energy projects globally. The company's asset management arm is also at the forefront of ESG investing, integrating environmental, social and governance factors across its portfolios. Macquarie's infrastructure investments play a crucial role in developing and maintaining essential assets in communities around the world. The company has also been a pioneer in developing innovative financing solutions for social and affordable housing. Macquarie's focus on diversity and inclusion has led to increased representation of women and minorities in senior leadership roles. The Macquarie Group Foundation provides significant philanthropic support to non-profit organizations globally. While Macquarie's commodities trading activities have faced some controversy, the company has implemented strong environmental and social risk management practices. Overall, Macquarie's business activities and corporate initiatives demonstrate a commitment to generating positive societal impacts alongside financial returns.

RISKS

Key risks for Macquarie include:

1. Macroeconomic slowdown impacting deal activity and asset values - A broader economic downturn could reduce M&A and capital markets activity, hurting Macquarie's investment banking fees and asset management performance.
2. Regulatory changes in key markets like financial services and commodities trading - New regulations or compliance requirements could increase costs or restrict certain profitable activities for Macquarie.
3. Execution risk on large infrastructure projects and acquisitions - Poor execution or unexpected issues with major projects or acquisitions could lead to financial losses and reputational damage.
4. Market volatility impacting trading income and performance fees - Extreme market swings could negatively affect Macquarie's trading revenues and reduce performance fees from asset management.
5. Competition in core markets like asset management and investment banking - Increased competition from both traditional and fintech players could pressure Macquarie's market share and margins in key business lines.
6. Potential reputational risks from controversial deals or projects - Involvement in ethically questionable or environmentally damaging projects could harm Macquarie's brand and stakeholder relationships.
7. Cybersecurity threats given the company's large technology footprint - As a major financial institution, Macquarie faces ongoing risks of data breaches or system disruptions from cyber attacks.
8. Key person risk, though mitigated by strong succession planning - The departure of key executives or rainmakers could potentially disrupt certain business units, despite succession plans.
9. Exposure to commodity price fluctuations through trading activities - Sharp moves in energy or metals prices could lead to trading losses in Macquarie's commodities business.
10. Interest rate changes impacting net interest margins and asset valuations - Significant shifts in interest rates could affect Macquarie's lending profitability and the valuation of interest rate sensitive assets.

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WHY HOLD THE COMPANY?

Macquarie offers investors exposure to secular growth trends like infrastructure development, energy transition, and digital transformation through a diversified, well-managed financial institution. The company's global reach, strong market positions, and consistent ability to innovate and enter new high-growth areas should drive attractive shareholder returns over the long-term.

Macquarie's balanced business mix provides both stable annuity-style earnings and upside potential from markets-facing activities.

The company has a strong track record of capital allocation and shareholder returns, with book value per share growing at a 10% CAGR over the past decade.

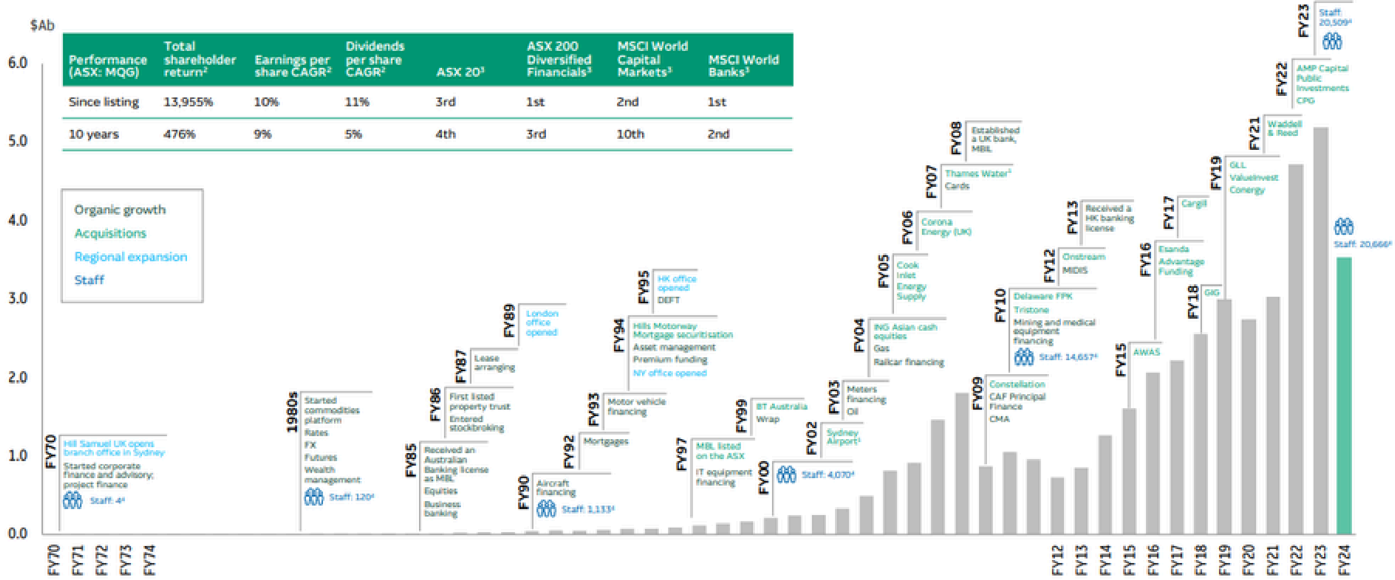
Macquarie's leadership in areas like renewable energy and ESG investing positions it well for future growth.

The company's strong risk management culture and conservative balance sheet provide resilience through market cycles. With its current valuation below historical averages, we see a compelling entry point for long-term investors to gain exposure to Macquarie's diversified global platform and growth potential.

In summary, Macquarie Group's leadership in key growth sectors, proven management team, and attractive valuation make it a core holding for investors seeking exposure to global financial services and infrastructure trends.

55 years of unbroken profitability

Performance (ASX: MQG)	Total shareholder return[2]	Earnings per share CAGR[2]	Dividends per share CAGR[2]	ASX 20[3]	ASX 200 Diversified Financials[3]	MSCI World Capital Markets[3]	MSCI World Banks[3]
Since listing	13,955%	10%	11%	3rd	1st	2nd	1st
10 years	476%	9%	5%	4th	3rd	10th	2nd



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Our Commitment
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