

MFG had \$A305 billion in AUM as at 31 March 2011, broadly in line with its AUM at 31 March 2010. During the year to 31 March 2011, inflows and new mandates, particularly in listed equities and alternatives, were largely offset by the appreciation of the Australian dollar against major global currencies.

In October 2010, Macquarie further consolidated its asset management businesses, with Macquarie Capital Funds becoming a division of MFG, renamed Macquarie Infrastructure and Real Assets. The consolidation positioned MFG as Australia's largest asset manager and a top 40 asset manager globally. Following the consolidation, MFG was restructured into three divisions: Macquarie Investment Management, Macquarie Infrastructure and Real Assets and Macquarie Specialised Investment Solutions.

Macquarie Investment Management (MIM) focused on organic growth initiatives during the year. Its strong performance across asset classes was recognised in the 2011 Lipper Fund Awards (where MIM won 18 awards) and has continued to drive inflows. The division launched several new strategies, including a Global Income Opportunities strategy which utilises Macquarie and Delaware Investments' heritage fixed income investment capabilities.

In March 2011, Macquarie acquired INNOVEST Kapitalanlage AG (INNOVEST), an Austrian securities asset management firm serving institutional clients in Austria and Germany. INNOVEST enhances MIM's presence in Europe.

Macquarie Infrastructure and Real Assets (MIRA) raised more than \$A2 billion in new equity commitments during the year, with its listed and unlisted funds making 22 investments representing over \$A3.5 billion of equity. MIRA reviewed its investor engagement model following its integration into MFG, making term and structure changes which are resonating well with investors. The division also developed several new products in both core and emerging markets, closing a Chinese real estate fund and a Korean private equity fund specialising in infrastructure. It has commenced fund raising for its fourth European infrastructure fund and a Chinese infrastructure fund.

Macquarie Specialised Investment Solutions increased its market share in Australian retail structured products, with strong inflows during the period. Products in its suite include fund- and equity-linked products, lifetime income guarantee products and thematic products. In addition, the division successfully grew its wholesale business in the US and Europe writing more than \$A1 billion of fund-linked products during the period.

Outlook

Subject to market conditions, MFG currently expects its result for the year ending 31 March 2012 to be broadly in line with the prior year. Its focus will continue to be the organic growth of its asset base and leveraging existing operating support systems to drive cost synergies across the business.

About Macquarie Funds Group

MFG is a full-service asset manager offering a diverse range of products through three divisions:

Macquarie Investment Management

Offers investment management expertise across a number of asset classes including fixed interest, currencies, equities, infrastructure securities, funds of private equity funds and multi-asset allocation solutions. It delivers a full-service offering to both retail and institutional clients in Australia and the US, with selective offerings in other regions.

Macquarie Infrastructure and Real Assets

Manages a range of direct asset funds including infrastructure and real estate funds. Its client base primarily comprises global pension and superannuation funds but also includes other institutions and governments.

Macquarie Specialised Investment Solutions

Manufactures and distributes a range of fund- and equity-based structured products including capital-protected investments and associated lending arrangements, fund-linked products, lifetime income guarantees and alternative funds. The division is recognised for product innovation, with a strong track record of delivering tailored solutions to the market.