

Investment objective

Aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (**Index**) over the medium to long term (before fees). It aims to provide capital growth and some income.

Key information

Fund details	
APIR code	MAQ0454AU
Inception date	6 July 2006
Fund size	\$157.4m
Distribution frequency	Quarterly
Management fee*	0.60% pa
Performance fee*	15% of outperformance of the Fund (after management fee and expenses) above return of the Index, subject to a 'high watermark'.
Minimum investment (Direct)	\$20,000
Unit prices and spreads	macquarie.com.au/unit_prices

*Read the Product Disclosure Statement for more details on fees and costs.

Fund performance to 28 February 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	2.84	2.72	1.55	1.17
3 months (%)	6.47	6.25	4.08	2.17
1 year (%)	25.21	24.06	17.18	6.88
3 years (% pa)	12.97	11.74	7.21	4.53
5 years (% pa)	19.79	18.27	11.69	6.58
Since inception (% pa)	11.52	10.04	3.69	6.35

Past performance is not a reliable indicator of future performance.

Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

Total net Fund returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

The management fee was reduced to 0.60% pa from 18 January 2017.

Top 3 stock attribution (alphabetical)

[Redacted]
Lovisa Holdings Ltd
Uniti Group Ltd
Zip Co Ltd

Italics denote underweight

Bottom 3 stock attribution (alphabetical)

[Redacted]
Charter Hall Group
Northern Star Resources Ltd
Nuix Ltd

Italics denote underweight

Top 5 overweight positions (alphabetical)

[Redacted]
IGO Ltd
Johns Lyng Group Ltd
Mineral Resources
Northern Star Resources Ltd
Uniti Group Ltd

Macquarie Australian Small Companies Fund

Monthly report – 28 February 2021

Fund highlights

The Fund finished the month 2.72% (post fees), outperforming the benchmark by 1.17%.

The largest contributors to relative performance for the month included overweight positions in Zip Co (Z1P), Uniti Group (UWL) and Lovisa (LOV).

Telecom business Uniti Group (UWL) outperformed during February after reporting strong revenue growth for 1H FY21. Uniti's revenue was up 148% on the previous corresponding period, and the update also showed that the integration of Uniti's three recent accretive acquisitions during the period were progressing on or ahead of schedule.

The greatest detractors from relative performance included overweight positions in Charter Hall Group (CHC), Nuix (NXL) and Northern Star Resources (NST).

Diversified Real Estate business Charter Hall Group (CHC) underperformed after reporting earnings for 1H FY21 which were slightly below expectations. Regardless, the company reported a 14% increase in funds under management and a total property investment return of 10.9% for the period. A sharp rise in bond yields, generally used to price real estate assets, was also a performance headwind for the property group during February.

As at 28 February 2021, the largest overweight positions in the Fund were IGO Limited (IGO), Uniti Group (UWL) and Mineral Resources (MIN).

Market overview

The S&P/ASX Small Ordinaries Accumulation Index rose during February, returning 1.55% for the month. Small caps marginally outperformed the broad-based S&P/ASX 300 Accumulation Index which returned 1.48%.

After outperforming in January, the Australian market lagged the US (+2.8%) and Developed Markets (+2.7%) throughout February. In the domestic market, materials and mining stocks were strong performers due to the support of rising commodity prices. However, gold stocks fell 9.5% on the back of a sharp increase in real bond yields. With global COVID-19 cases falling and vaccination programs progressing, a key theme in the Australian market during February was a rotation back to COVID "losers". That is, the companies that had been most negatively impacted by COVID found investor support, as they now offer positive exposure to an improving outlook.

February saw most Australian companies report earnings for 1H2021, which was generally positive as 51% of companies beat earnings expectations. Importantly, banks reported improving operating momentum and reduced provisioning for bad debts. Resources were also strong, buoyed by rising commodity prices with much of the additional cash directed to shareholders via dividends. COVID beneficiaries such as Bapcor (BAP, -7.9%), JB-Hi-Fi (JBH, -12.7%) and Wesfarmers (WES, -8.2%) reported strong results, however some profit taking was evident as investors questioned the longevity of the elevated demand as the COVID recovery progresses.

The materials sector (+7.3%) was the best performer for the month, driven by Oz Minerals (OZL, +20.1%), Rio Tinto (RIO, +15.3%) and BHP Group (BHP, +12.8%). Financials were also strong (+5.20%), driven by better-than-expected results from the banks. Information Technology (-8.9%) was the worst performing sector, driven by falls in Appen (APX, -25.3%), Afterpay (APT, -11.5%) and Wisetech (WTC, -12.8%) as investors pivoted away from COVID beneficiaries amidst the strong recovery.

Commodity prices were mixed. Brent oil prices rose 18.3% to US\$66.13/bbl and Iron ore marched 10.1% higher on recovery sentiment, however gold was driven down 6.5% by a spike in bond yields.

Expectations of large US fiscal stimulus and rising inflation caused global bond yields to rise sharply in late February, with the US 10 year government bond yield rising 0.37% to 1.46%. The Australian 10 year government bond yield jumped more significantly, up 0.79% to 1.88%.

The AUD rose 0.7c during February to US\$0.77. In the domestic economy, the RBA maintained the cash rate at 0.15%.

Outlook

With the February reporting season yielding generally positive results and the December quarter GDP growth of 3.1% beating expectations, the recovery in Australia appears to be in full swing. Looking ahead, it will be important to monitor demand levels during the gradual unwinding of stimulus measures and we expect that sentiment will remain highly sensitive to any delays or complicating factors in the global COVID vaccine rollout.

Macquarie Australian Small Companies Fund

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For more information speak to your financial adviser, call us on 1800 814 523, email mim.clientservice@macquarie.com or visit macquarie.com

Important information

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