Macquarie Investment Management

Macquarie Australian Small Companies Fund

Monthly report – 30 April 2021

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	$190.1m
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 30 April 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	4.55	4.42	4.98	-0.56
3 months (%)	9.51	9.12	7.44	1.68
1 year (%)	45.14	43.61	39.78	3.83
3 years (% pa)	14.74	13.53	9.10	4.43
5 years (% pa)	18.64	17.11	11.10	6.01
Since inception (% pa)	11.86	10.37	4.05	6.32

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)

American Pacific Borates Ltd
Mineral Resources
Uniti Group Ltd

Italics denote underweight

Top 5 overweight positions (alphabetical)

Charter Hall Group
Evolution Mining Limited
Mineral Resources
Spark New Zealand Ltd
Uniti Group Ltd

Bottom 3 stock attribution (alphabetical)

Beach Energy Limited
De Grey Mining Limited
Galaxy Resources Limited

Italics denote underweight

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Fund highlights

The Fund finished the month up 4.42% (post-fees), underperforming the benchmark by 0.56%.

The largest contributors to relative performance for the month included overweight positions in Mineral Resources (MIN), Uniti Group (UWL) and American Pacific Borates (ABR).

Mineral Resources (MIN) outperformed after releasing its activities report for the quarter to 31 March 2021. In the report, management noted that iron ore shipments were up over 51% on the previous corresponding period. The increase in iron ore prices were also a tailwind for the company, recording an average realised iron ore price 5% higher than the December 2020 quarter.

The greatest detractors from relative performance included an overweight position in Beach Energy (BPT) and underweight positions in Galaxy Resources (GXY) and De Grey Mining (DEG).

Oil producer Beach Energy (BPT) plunged after releasing its results for the quarter ending 31 March 2021. The update noted a 15% drop in production compared to the previous corresponding quarter, driven by reduced reservoir performance. The update also included a net downgrade to its estimated oil and gas reserves, reducing Beach Energy's estimated reserves by approximately 5%. As a result, the company withdrew its five-year outlook and revised down its FY21 production guidance.

As at 30 April 2021, the largest overweight positions in the Fund were Spark New Zealand (SPK), Uniti Group (UWL) and Evolution Mining (EVN).

Market overview

The S&P/ASX Small Ordinaries Accumulation Index rose during April, returning 4.98% for the month. Small caps outperformed the broad-based S&P/ASX 300 Accumulation Index which returned 3.70%.

The Australian market lagged the US (+5.3%) and Developed Markets (+4.1%) again throughout April. In the domestic market, the unbroken streak of positive monthly returns for 2021 continued as better-than-expected employment data and rising commodity prices pushed markets higher. Positive announcements and commentary regarding the upcoming Federal Budget, due to be handed down in mid-May, also buoyed sentiment. In COVID-19 news, global vaccination programs progressed however an extreme spike of cases in India continued to grow. The local vaccination effort continued, albeit at a slower than expected rate due to concerns regarding the AstraZeneca shot.

Following Brisbane's 3 day snap lockdown in March, Perth followed suit in late-April after a cluster developed within the hotel quarantine system and resulted in positive cases amidst the community for a number of days. Whilst the situation continues to develop, the outbreak appears to be under control at present and additional restrictions have been put in place.

The Technology sector (+10.1%) was the best performer for the month, driven by Megaport (MP1 +29.7%) and Life360 (360, +20.2%). Materials (+9.1%) were also strong, pushed higher by Galaxy Resources (GXY, +55.3%) and De Grey Mining (DEG, +9.4%). Energy (-2.9%) was the worst performing sector, driven by falls in New Hope (NHC, -15.1%), Whitehaven Coal (WHC, -27.5%) and Cooper Energy (COE, -9.3%).

Commodity prices rose in April, with Brent oil prices up 5.8% to US$67.25/bbl, Iron ore up 13.4% and gold rising 4.5%.

Global bond yields fell throughout April, with the US 10 year government bond yield down 0.10% to 1.63% and the Australian 10 year government bond yield also down 0.10%, to 1.69%.

The AUD appreciated 1.1c against the USD during April to US$0.77. In the domestic economy, the RBA maintained the cash rate at 0.15%.

Outlook

The COVID-19 recovery in Australia continues to progress, with the vaccine rollout slowly gaining momentum and a trans-Tasman travel bubble with New Zealand now in place. Investors will be closely watching the delivery of the Federal Budget on 11th May, which will outline the Government's plan for the next phase of Australia's economic recovery. Looking further ahead, key factors influencing market sentiment will include movements in bond yields, the success of the global vaccine rollout and the impact of the unwind of domestic stimulus measures on the local economy.

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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