

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	\$195.0m
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 31 May 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-1.21	-1.26	0.27	-1.53
3 months (%)	5.19	4.89	6.09	-1.20
1 year (%)	30.10	28.82	26.73	2.09
3 years (% pa)	12.11	11.04	7.88	3.16
5 years (% pa)	17.00	15.49	10.27	5.22
Since inception (% pa)	11.70	10.21	4.04	6.17

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]
Evolution Mining Limited
Perpetual Limited
Uniti Group Ltd

Italics denote underweight

Top 5 overweight positions (alphabetical)

[Redacted]
Charter Hall Group
Evolution Mining Limited
IGO Ltd
Spark New Zealand Ltd
Uniti Group Ltd

Bottom 3 stock attribution (alphabetical)

[Redacted]
American Pacific Borates Ltd
<i>Chalice Gold Mines Limited</i>
EML Payments Limited

Italics denote underweight

Macquarie Australian Small Companies Fund

Monthly report – 31 May 2021

Fund highlights

The Fund finished the month down 1.26% (post-fees), underperforming the benchmark by 1.53%.

The largest contributors to relative performance for the month included overweight positions in Evolution Mining (EVN), Uniti Group (UWL) and Perpetual (PPT).

Gold producer Evolution Mining (EVN) outperformed again in May after finalising its acquisition of Canadian gold producer Battle North during the month. Battle North's assets include a gold operation adjacent to Evolution's existing Red Lake Operations in Ontario, as well as a large gold exploration property in Nevada, USA. Evolution is also benefitting from the strong appreciation in the gold price, which rose 7.8% during May in USD terms.

The greatest detractors from relative performance included overweight positions in EML Payments (EML), American Pacific Borates (ABR), and an underweight position in Chalice Mining (CHN).

Payment services provider EML Payments (EML) underperformed in May after providing an update to the market which outlined that the Central Bank of Ireland had raised compliance concerns regarding EML's European based PFS Card Services business based in Ireland. Whilst the investigation into the matter is ongoing, EML flagged that approximately 27% of its global revenue was derived through the entity under review and noted that directions or enforcements could potentially have a material impact on operations.

As at 31 May 2021, the largest overweight positions in the Fund were Evolution Mining (EVN), Uniti Group (UWL) and Spark New Zealand (SPK).

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 outperformed the US (+0.7%) and Developed Markets (+1.3%) throughout May. In the domestic market, the banking sector surged 7.3% following positive trading updates and FY21 earnings upgrades from the four major banks. The broader market continued to rise following the stimulus-heavy Federal Budget announcement and sustained strength in commodity prices. Concerns regarding the possibility of rising inflation remained as a key theme throughout May, with Technology and Utilities delivering poor returns – two sectors which may be impacted if inflation rose materially. In COVID-19 news, global vaccination programs progressed with more than 50% of both the US and UK populations now having received at least one dose. The rate of vaccinations in the developing world is progressing at a slower rate, with significant numbers of new cases still being recorded across India and Brazil.

Snap lockdowns in Australia's capital cities in response to small COVID-19 outbreaks continued, with Melbourne entering a 5-day lockdown in late May which has now been extended into June. Whilst cases are still rising and the situation in Melbourne continues to develop, the snap lockdowns in Brisbane (March) and Perth (April) seem to have been effective in stemming the outbreaks relatively quickly.

In the Small Ordinaries Index, the Energy sector (+8.1%) was the best performer for the month, driven by New Hope (NHC, 24.9%), Whitehaven Coal (WHC, 23.0%) and Cooper Energy (COE, 12.2%). Technology (-5.43%) was the worst performing sector, driven by falls in EML Payments (EML, -41.9%), Nuix (NXL, -33.1%) and Infomedia (IFM, -14.0%). Industrials also performed poorly, returning -4.9% for the month.

Commodity prices rose again in May, with Brent oil prices up 3.1% to US\$69.32/bbl, Iron ore up 7.5% and gold rising 7.8%.

Global bond yields drifted lower throughout the month, with the US 10 year government bond yield falling 0.05% to 1.58% and the Australian 10 year government bond yield down 0.06% to 1.63%.

The AUD appreciated 0.2c 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 Federal and State Governments now collaborating to expedite Australia's vaccine rollout. The Federal Budget, delivered by Treasurer Josh Frydenberg on 11th May, outlined a number of significant stimulus measures which aim to provide additional economic support via a boost in consumer spending and business investment. For the months ahead, key factors influencing market sentiment will include movements in bond yields and inflation, the success of the global vaccine rollout and the impact of the unwind of domestic stimulus measures on the local economy.

Macquarie Australian Small Companies Fund

Monthly report – 31 May 2021

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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