

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	\$203.0m
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 30 June 2021

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	3.02	2.97	3.08	-0.11
3 months (%)	6.40	6.16	8.50	-2.34
1 year (%)	35.70	34.38	33.23	1.15
3 years (% pa)	13.35	12.27	8.59	3.68
5 years (% pa)	17.47	15.97	11.23	4.74
Since inception (% pa)	11.85	10.37	4.23	6.14

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]
Johns Lyng Group Ltd
Mineral Resources
ResMed Inc

Italics denote underweight

Top 5 overweight positions (alphabetical)

[Redacted]
Charter Hall Group
IGO Ltd
Mineral Resources
ResMed Inc
Spark New Zealand Ltd

Bottom 3 stock attribution (alphabetical)

[Redacted]
Evolution Mining Limited
<i>Pro Medicus Limited</i>
<i>Whitehaven Coal Limited</i>

Italics denote underweight

Macquarie Australian Small Companies Fund

Monthly report – 30 June 2021

Fund highlights

The Fund finished the month up 2.97% (post-fees), underperforming the benchmark by 0.11%.

The largest contributors to relative performance for the month included overweight positions in ResMed (RMD), Johns Lyng Group (JLG) and Mineral Resources (MIN).

Respiratory device maker ResMed (RMD) outperformed following a device recall from key competitor, Philips. The announcement by Philips was sparked by concerns of potential health risks from device components, leading to a surge in demand for ResMed products. In ResMed's trading update for the quarter ending 31 March 2021, management announced that revenue was only slightly down compared to the March 2020 quarter, which was significantly boosted by the COVID-driven spike in ventilator demand.

The greatest detractors from relative performance included an overweight position in Evolution Mining (EVN) and underweight positions in Whitehaven Coal (WHC) and Pro Medicus (PME).

Gold producer Evolution Mining (EVN) underperformed as fading inflationary expectations drove the price of gold down 7.2%. Regardless, Evolution's most recent quarterly update showed positive production levels and, as one of the lowest cost gold producers in the world, the firm is well placed to weather commodity price fluctuations.

As at 30 June 2021, the largest overweight positions in the Fund were IGO Limited (IGO), ResMed (RMD) and Charter Hall Group (CHC).

Market overview

The S&P/ASX Small Ordinaries Accumulation Index rose during June, returning 3.08% for the month. Small caps outperformed the broad-based S&P/ASX 300 Accumulation Index which returned 2.25%.

The Australian market outperformed the Developed Markets (+2.1%) throughout June. The ASX 200 returned 27.8% for FY21, which was the strongest financial year return since 2006, while the S&P Small Ordinaries index returned 33.2%. In the global context, Australia underperformed the tech-heavy US index (S&P 500) by 14.0%, however outperformed UK stocks by 10.8% which were impacted by Brexit. Interestingly, the best performing subsector in the Australian market for the financial year was Automotives (+86%), as COVID-19 drove consumers from public transport to private vehicles. During June, a fall in bond yields in the domestic market drove strong returns across the technology sector. Conversely, the movement in yields compressed bank margins, resulting in the major banks retracing some gains made in May following their earnings upgrades. In COVID-19 news, case numbers declined as global vaccination programs continued to progress, with 50% of the population vaccinated in the UK, 47% in the US and Australia trailing somewhat at 7.4%.

The pattern of snap lockdowns across Australia's capital cities continued, with a multi-city lockdown including Sydney and Brisbane being triggered in late June. Community backlash to the on-and-off lockdown process resulted in the Federal Government announcing its four-phase "Pathway out of COVID-19", which outlines Australia's plan to transition from its suppression-focussed policy toward a more managed approach once vaccinations reach certain levels.

The Energy sector (+7.6%) was the best performer for the month in the Small Ordinaries index, driven by Whitehaven Coal (WHC, 23.2%), Coronado Global Resources (CRN, 22.6%) and New Hope Corp (NHC, 13.1%). Materials (-0.5%) was the worst performing sector, driven by falls in De Grey Mining (DEG, -20.6%), Gold Road Resources (GOR, -18.4%) and Westgold Resources (WGX, -17.5%).

Commodity prices rose again in June, with Brent oil prices up 7.9% to US\$75.13/bbl and Iron ore up 6.9%. Inflation expectations eased throughout the month, driving gold prices down 7.2%.

Global bond yields drifted lower throughout the month, with the US 10 year government bond yield falling 0.13% to 1.45% and the Australian 10 year government bond yield down 0.12% to 1.51%.

The AUD depreciated 2.3c against the USD during April to US\$0.75. In the domestic economy, the RBA maintained the cash rate at 0.15%.

Outlook

While the COVID-19 recovery in Australia continues to progress, the June outbreak placed additional pressure on the Federal and State governments to expedite Australia's vaccine rollout. 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 – 30 June 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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