

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	\$223.9m
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](https://www.macquarie.com.au/unit_prices)

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

Fund performance to 31 January 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-8.38	-8.40	-9.00	0.60
3 months (%)	-5.01	-5.27	-7.99	2.72
1 year (%)	11.42	10.39	6.65	3.74
3 years (% pa)	15.98	14.83	10.13	4.70
5 years (% pa)	16.85	15.36	9.64	5.72
Since inception (% pa)	11.39	9.93	3.80	6.13

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]
Champion Iron Ltd
IGO Ltd
Virgin Money UK CDI

Italics denote underweight

Top 5 overweight positions (alphabetical)

[Redacted]
IGO Ltd
Johns Lyng Group Ltd
Spark New Zealand Ltd
Steadfast Group Ltd
Uniti Group Ltd

Bottom 3 stock attribution (alphabetical)

[Redacted]
<i>Brainchip Holdings</i>
<i>Beach Energy Limited</i>
Charter Hall Group

Italics denote underweight

Macquarie Australian Small Companies Fund

Monthly report – 31 January 2022

Fund highlights

This month, the Fund finished -8.40% (post-fees), outperforming the benchmark by 0.60%.

The largest contributors to relative performance for December included overweight positions in IGO Ltd (IGO), Champion Iron Ltd (CIA), and Virgin Money UK (VUK).

IGO Ltd (IGO) outperformed again this month, as lithium prices continue to rise off the back of sustained demand for electric vehicles and lithium supply concerns. IGO's bid for Western Areas Ltd (WSA) also remains intact, despite pressure for IGO to increase the bid in line with the rising WSA share price.

Champion Iron (CIA) outperformed as iron ore prices rose, driven by expectations of eased restrictions on Chinese steelmakers and future stimulus measures from the Chinese government.

The largest detractors from relative performance included an underweight position in Beach Energy (BPT), and overweight positions in Charter Hall Group (CHC) and Technology One Ltd (TNE).

Beach Energy (BPT) outperformed as oil prices rose as demand remained strong and geopolitical tensions between Russia and Ukraine increased the possibility of significant supply disruption.

Technology One Ltd (TNE) underperformed as bond yields rose and negatively impacted growth-focussed companies.

As at 31 January 2022, the largest overweight positions in the Fund were IGO Ltd (IGO), Johns Lyng Group (JLG) and Steadfast Group Ltd (SDF).

Market overview

Australian equities fell in January, with the S&P/ASX Small Ordinaries Accumulation Index finishing the month -9.00%. Small caps underperformed the broader S&P/ASX 300 Accumulation Index which ended the month -6.45%.

January saw a broad-based equity sell-off across global developed markets. After starting the year on the front foot, global equities fell sharply through January as investors braced themselves for tighter monetary policy from central banks, led by the US Federal Reserve signalling an earlier start to quantitative tightening. Bond yields jumped as investors increased rate hike expectations, with US 10-year yields climbing 0.27% to 1.78% and the Australian 10-year yield following suit with a 0.22% rise to 1.89%. This fall represented the worst start to the year for the Australian equity market since 2008 and saw Australia underperform other developed markets. The S&P 500 finished the month -5.2% while the FTSE 100 was +1.1% and the Dow Jones Euro Stoxx 50 index -2.7%. Emerging Markets equities (-1.8%) outperformed Developed Markets (-4.9%). Interest rate sensitivity proved to be a headwind for Developed Markets, while Emerging Markets benefited from rising commodity prices.

In the domestic market, Energy (-0.1%) was the top performer with strong gains in energy prices. Healthcare (-17.5%) was the worst performing sector. Technology (-11.2%) also lagged on the back of higher interest rates affecting the valuations of growth assets.

Commodity prices surged with Oil climbing 17%, driven by global supply concerns, and Iron Ore lifting US\$28 to US\$144, supported by a restock ahead of Chinese New Year and expected future stimulus measures in China. Counter to the broad increase in commodity prices, Gold prices dropped 0.6% as rates look to increase.

The AUD depreciated 3.2% in December to US\$0.705. The cash rate remained stable at 0.10% in the domestic economy.

Outlook

Reporting season will be the focus of domestic investors in February. Key areas of interest will include the impact of Omicron on company revenues and consumer confidence, and the impact of rising costs on margins. With increasing evidence that the surge in Omicron cases has peaked, investors will also be seeking guidance on the outlook for earnings in 2022.

Given that the Federal election is due by May, government policy is likely to remain supportive for the economy.

More broadly, investors will monitor global movements in bond yields and any commentary from central banks regarding the timing of rate rises. Geo-political risks will also be closely watched.

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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