

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	\$224.9m
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 28 February 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	2.38	2.33	-0.01	2.34
3 months (%)	-2.84	-3.12	-7.71	4.59
1 year (%)	10.94	9.97	5.02	4.95
3 years (% pa)	15.39	14.24	7.74	6.50
5 years (% pa)	17.13	15.64	9.35	6.29
Since inception (% pa)	11.49	10.04	3.78	6.26

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]
Ardent Leisure Group Limited
Nufarm Limited
Sims Metal Management

Italics denote underweight

Top 5 overweight positions (alphabetical)

[Redacted]
Ardent Leisure Group Limited
IGO Ltd
Johns Lyng Group Ltd
News Corporation
Steadfast Group Ltd

Bottom 3 stock attribution (alphabetical)

[Redacted]
IGO Ltd
Life360 Inc
Uniti Group Ltd

Italics denote underweight

Macquarie Australian Small Companies Fund

Monthly report – 28 February 2022

Fund highlights

This month, the Fund finished the month up 2.38% (post-fees), outperforming the benchmark by 2.33%.

The largest contributors to relative performance for February included overweight positions in Ardent Leisure Group (ALG) and Sims Ltd (SGM), and an underweight position in Zip Co Limited (Z1P).

Ardent Leisure Group (ALG) outperformed after the company reported positive half-year results as lockdowns eased in its key markets. The strong result was driven by solid performance in the Main Event business. Theme Parks and Attractions revenue also soared by 41% due to higher pass sales and turnout.

Zip (Z1P) underperformed as bond yields continued to rise and negatively impact the generally high valuations of technology stocks.

The largest detractors from relative performance included overweight positions in Uniti Group (UWL), Life360 (360), and IGO Ltd (IGO).

Uniti Group (UWL) underperformed despite reporting generally solid results. However, the company's earnings growth from construction revenue was around \$5 million lower than the second half of financial year 2021. The drop was due to delays caused by lockdowns in Eastern Australia and will see revenue from construction deferred to later periods.

Miner IGO Ltd (IGO) underperformed after the company confirmed it was in discussions to acquire one of the world's richest copper mines. The mine, at Cobar in regional New South Wales, is reportedly worth upwards of \$1 billion.

As at 28 February 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%.

Australian equities outperformed global equities, as the global correction continued for a second month. The Australian market significantly outperformed its developed market peers, with the S&P 500 in the US finishing the month -3.0%. The reason for the outperformance of the domestic market was higher exposure to cyclical sectors like Banks and Resources, along with relatively low exposure to Technology stocks. The key macro event was the outbreak of war in Ukraine, which triggered investors to reduce risk. Investors continue to anticipate tighter US monetary policy in 2022, although at the time of writing, the market pricing of US Fed hikes has eased as the war in Ukraine intensifies.

Energy (+10.2%) and Materials (+7.1%) were the top performing sectors for the month, pushed higher by the rise in commodity prices.

Technology (-12.8%) was the worst performer for the second month, as high inflation and the expectation of tighter monetary policy remained an overhang on performance. Appen (APX), Zip Co (Z1P), Tyro Payments (TYR) and Life360 (360) were all small caps that declined by more than 25%.

In corporate news, February earnings season was a key focus for investors. Overall, it was a positive reporting season, with more earnings beats than misses. Inflationary pressures and interest rate movement implications were key themes that companies called out.

Commodity prices saw strong upward moves, particularly in Gold which lifted 6.4% to US\$1,910/oz as investors repositioned into safe-haven asset classes. Brent Oil also spiked higher by 10.0% to US\$110/bbl as markets reacted to the impacts of sanctions on oil and gas exports. Contrasting these price rises, Iron Ore declined 5.1% as it paused following a 24% rally during January.

In bond markets, US 10-year yields increased 5bps to 1.84%, while Australian bonds rose 25bps over the month to 2.13%, as the market brought forward expectations of RBA rate hikes.

The AUD depreciated 2.1c in February to US\$0.726. The RBA cash rate remained stable at 0.10%.

Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. February company earnings season highlighted improving operating momentum in many businesses, as COVID-related impacts moderate. With the Federal election due by May, short-term government policy is likely to remain supportive for corporate earnings.

Elevated global inflation will continue to be a focus for investors over coming months, as will the ongoing development of the Russia and Ukraine conflict. These are risks that we will continue to monitor closely.

Macquarie Australian Small Companies Fund

Monthly report –28 February 2022

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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