

# Macquarie Australian Small Companies Fund

Monthly report – 30 April 2022

## 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	\$247.3m
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	<a href="https://www.macquarie.com.au/unit_prices">macquarie.com.au/unit_prices</a>

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

## Fund performance to 30 April 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	-0.30	-0.40	-1.50	1.10
<b>3 months (%)</b>	8.36	7.95	3.68	4.27
<b>1 year (%)</b>	10.26	9.20	2.91	6.29
<b>3 years (% pa)</b>	15.18	13.95	7.64	6.31
<b>5 years (% pa)</b>	18.55	17.00	9.62	7.38
<b>Since inception (% pa)</b>	11.77	10.30	3.98	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 5 overweight positions (alphabetical)

Centuria Capital Limited

Healius Ltd

Johns Lyng Group Ltd

Steadfast Group Ltd

Uniti Group Ltd

## Top 3 stock attribution (alphabetical)

*Megaport Ltd*

Viva Energy Group Ltd

Whitehaven Coal Limited

\*Italics denotes underweight

## Bottom 3 stock attribution (alphabetical)

*Flight Centre*

Life360 Inc

*Sayona Mining Ltd*

\*Italics denotes underweight

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## Fund highlights

This month, the Fund finished the month down -0.40% (post-fees), outperforming the benchmark by 1.10%.

The largest contributors to relative performance included overweight positions in Whitehaven (WHC) and Viva Energy (VEA), and an underweight position in Megaport (MP1).

Coal miner, Whitehaven (WHC), outperformed during April as the company benefitted from record coal prices spurred on by the Russia-Ukraine conflict and strong investor sentiment following the release of its Q1 2022 quarterly production report.

Tech company, Megaport (MP1), underperformed in April following weaker than expected quarterly results. This was further exacerbated by a broad selloff in technology and growth stocks during the period.

Key detractors from relative performance included an overweight position in IGO (IGO) and underweight positions in Flight Centre Travel (FLT) and Sayona Mining (SYA).

After performing strongly in Q1 2022 amid a global resources boom, lithium and nickel producer IGO (IGO) underperformed in April, in line with the broader metals and mining sector. An underwhelming quarterly production report released late in the month also contributed to share price weakness.

Flight Centre (FLT) outperformed following improving conditions in the travel industry and a winding back of global pandemic restrictions, including the recent reopening of Australian borders for international travel.

As of 30 April 2022, the largest overweight positions in the Fund were Centuria Capital (CNI), Johns Lyng Group (JLG) and Uniti Group (UWL).

## Market overview

Australian equities declined in April, with the S&P/ASX Small Ordinaries Accumulation Index returning -1.55%.

April proved a weak month for global equities more broadly, as rising inflation fears fuelled concerns of a slowdown in economic growth. This was highlighted by large declines in US equities, as the Federal Reserve hiked interest rates which pressured equity valuations. While modestly down, Australian equities showed resilience and outperformed global equities for the third month in a row.

Energy (+9.1%) and Consumer Staples (+7.5%) were the best performing sectors, with REITs (+0.4%) also outperforming.

Technology (-12.5%) was the worst performing sector, as it still has the highest valuations and is impacted most by the rise in real yields. This saw multiple Small Cap tech stocks fall over 20% for the month including EML Payments (EML, -46.8%), Megaport (MP1, -37.6%) and Life360 (360, -31.7%). A key reason Australian equities are outperforming the US this year is the smaller technology weighting in ASX indices. Financials (-4.3%) and Industrials (-4.3%) also underperformed.

The upward trend of commodity prices moderated. Brent oil moved up US\$1 to US\$109/bbl while Iron ore dropped US\$11 to US\$142/Mt, driven by economic turndown in China impacting oil and steel demand. Gold fell US\$31 to US\$1,911 per ounce.

Bond yields continue to rise as investors price in more hawkish central bank commentary.

The Australian 10-year yield increased 0.30% to 3.12% and US 10-year yields also materially rising by 0.56% to 2.88%. The AUD depreciated against the USD in April, finishing at US\$0.720. The RBA cash rate remained stable at 0.10% at the April meeting. However, at the time of writing this report, the RBA increased the cash rate by 25 basis points to 0.35% on 3rd May 2022.

## Outlook

Over recent months, the Australian equity market has remained resilient despite macroeconomic and geopolitical related volatility. With the Federal election due in May, short-term government policy is likely to remain supportive for corporate earnings.

Elevated global inflation and rising central bank interest rates 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.

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**For more information speak to your financial adviser, call us on 1800 814 523, email [mim.clientservice@macquarie.com](mailto:mim.clientservice@macquarie.com) or visit [macquarieim.com](http://macquarieim.com)**

## Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFS Licence 238321 is the issuer of units in, and responsible entity of the Fund. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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