MACQUARIE ASSET MANAGEMENT

Macquarie Australian Small Companies Fund

Monthly report – 31 May 2022

MACQUARIE

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	$234.7m
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 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-6.30	-6.33	-7.01	0.68
3 months (%)	-0.82	-1.18	-3.58	2.40
1 year (%)	4.59	3.60	-4.56	8.16
3 years (% pa)	13.28	12.09	5.50	6.59
5 years (% pa)	16.60	15.08	8.49	6.59
Since inception (% pa)	11.24	9.79	3.48	6.31

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
New Hope Corporation Limited
Steadfast Group Ltd
Uniti Group Ltd

Top 3 stock attribution (alphabetical)

New Hope Corporation Limited
Sayona Mining Ltd
Whitehaven Coal Limited

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Centuria Capital Limited
CSR Limited
Johns Lyng Group Ltd

*Italics denotes underweight

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Fund highlights

In May, the Fund finished down 6.33% (post-fees), outperforming the benchmark by 0.68%.

The largest contributors to relative performance included overweight positions in Whitehaven (WHC) and New Hope Corporation (NHC), and an underweight position in Sayona Mining (SYA).

Lithium miner Sayona Mining (SYA) underperformed for the period following an update on the company's North American Lithium operation in Québec, Canada. The valuation of the operation reported was lower than investors expected and caused a drag on the share price.

The greatest detractors from relative performance included overweight positions in CSR Limited (CSR), Johns Lyng Group (JLG) and Centuria Capital (CNI).

Building products company CSR (CSR), underperformed on the back of weakened investor sentiment following concerns of rising costs and falling demand due to rising mortgage rates.

Johns Lyng Group (JLG), a provider of integrated building services, underperformed as the company was impacted by a number of factors in May, despite favourable operating conditions. Valuation concerns, insider selling and crowded positioning were identified as drivers of share price weakness.

As of 31 May 2022, the largest overweight positions in the Fund were Centuria Capital (CNI), Uniti Group (UWL) and Steadfast (SDF).

Market overview

Australian equities declined in May, with the S&P/ASX Small Ordinaries Accumulation Index returning -7.01%.

May was a challenging month for Australian equities, as investors reacted to the RBA increasing the cash by rate by 25bps to 0.35%, the first rate hike since 2010. Value continued to outperform growth stocks during the period, a trend that was evident globally. In the US, we are seeing value outperform growth over the last 6 months (US value +2.0%, US growth -22.6%) for the first time in years.

Energy (+2.7%) was the best performing sector off the back of rising oil prices, this saw energy producers Whitehaven Coal (WHC, +7.3%) and Beach Energy (BPT, +6.2%) perform strongly for the period.

Consumer Discretionary (-10.9%) was the worst performing sector, with Materials (-9.3%) and Real Estate (-8.0%) also underperforming for the period.

Supply chain pressures saw Brent oil climb US$12 to US$122/bbl while Iron ore dropped US$6 to US$137/Mt, driven by ongoing COVID restrictions in China. Gold fell sharply to US$1,852 per ounce as rising global rates provide a headwind.

Bond yields continued to rise as investors reacted to tightening monetary policy with the Australian 10-year yield increasing 0.22% to 3.34%. Interestingly, US 10-year yields fell by 0.05% to 2.84%. The AUD strengthened in May, finishing the month +1.6% against the USD.

Outlook

Anthony Albanese is Australia's new Prime Minister after Labor won enough seats to form majority government. However, the outcome of the election is not expected to play a major role in determining overall market direction against a backdrop of macro influences including higher interest rates, rising inflation, and ongoing geo-political uncertainty.

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For more information speak to your financial adviser, call us on 1800 814 523, email mam.clientservice@macquarie.com or visit macquarieim.com