

Macquarie Australian Small Companies Fund

Monthly report – 30 June 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	\$203.3m
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	macquarie.com.au/unit_prices

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

Fund performance to 30 June 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-11.64	-11.69	-13.09	1.40
3 months (%)	-17.45	-17.60	-20.39	2.79
1 year (%)	-10.29	-11.14	-19.52	8.38
3 years (% pa)	7.74	6.60	0.38	6.22
5 years (% pa)	12.91	11.49	5.07	6.42
Since inception (% pa)	10.33	8.89	2.56	6.33

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

Elders Limited

Johns Lyng Group Ltd

News Corporation

Spark New Zealand Ltd

Top 3 stock attribution (alphabetical)

Ardent Leisure Group Limited

Chalice Gold Mines Limited

Lake Resources N.L.

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Champion Iron Ltd

Iress Limited

Syrah Resources Ltd

*Italics denotes underweight

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Fund highlights

In June, the Fund finished down 11.69% (post-fees), outperforming the benchmark by 1.40%.

The largest contributors to relative performance included an overweight position in Ardent Leisure Group (ALG), and underweight positions in Lake Resources (LKE) and Chalice Mining (CHN).

Ardent Leisure Group (ALG) outperformed after the company announced an update on the divestment of its United States business. The completion of the sale paves the way for ALG to receive US\$835m in an all-cash transaction, the majority being passed to shareholders in the form of a special dividend and capital return.

Lithium miner Lake Resources (LKE) underperformed on the resignation of its CEO as well as general weakness in lithium stocks as recent strong gains were reversed. This comes as investors digest reports that an abundance of investment in exploration and production facilities could see the lithium price slide in the medium term.

The greatest detractors from relative performance included overweight positions in Syrah Resources (SYR) and Champion Iron (CIA), and an underweight position in Iress (IRE).

Graphite producer Syrah Resources (SYR) underperformed amid concerns of an insurgent attack on a mine close to Syrah's Balama graphite resource. The sell down of a large shareholder also contributed to the stock's underperformance.

Market overview

Australian equities continued to decline in June, with the S&P/ASX Small Ordinaries Accumulation Index returning -13.09%.

June was a weak month for Australian equities, as tighter monetary policy pushed up real yields and pressured valuations. Investors flocked to defensive assets amid growing concerns of a global recession.

There were no sectors with a positive return for the period, Communication Services (-4.7%) was the best performing sector while Materials (-23.6%) was the worst performing as weaker commodity prices saw resources companies underperform.

Brent oil dropped US\$8 to US\$114/bbl and Iron ore also fell US\$16 to US\$123/Mt, driven by China's ongoing economic downturn. Gold fell again, declining to US\$1,817 per ounce as rising global interest rates remained a headwind.

Bond yields continued to rise as investors reacted to tightening monetary policy with the Australian 10-year yield increasing 0.32% to 3.66%. This was higher than the US where 10-year yields rose by 0.13% to 2.98%. The AUD declined in June against the USD, closing the month at 0.69 cents from a high of 0.73 on June 3rd.

Outlook

Markets have been weak in recent months, driven predominantly by a de-rating in valuation and tax-loss selling in June. However, to this point, forward earnings estimates have held up reasonably well. As companies head into the August reporting period, investors will be looking for any broad-based negative earnings revisions as this will be an important driver of market direction in the next six months.

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