

Macquarie Australian Small Companies Fund

Monthly report – 31 July 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	\$222.7m
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 July 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	9.41	9.34	11.43	-2.09
3 months (%)	-9.40	-9.55	-9.94	0.39
1 year (%)	-3.61	-4.54	-10.93	6.39
3 years (% pa)	9.12	7.99	2.55	5.44
5 years (% pa)	14.40	13.03	7.30	5.73
Since inception (% pa)	10.89	9.45	3.24	6.21

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

CSR Limited

Johns Lyng Group Ltd

News Corporation

Spark New Zealand Ltd

Top 3 stock attribution (alphabetical)

Betmakers Technology Group Ltd

Johns Lyng Group Ltd

New Hope Corporation Limited

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Champion Iron Ltd

Elders Limited

Viva Energy Group Ltd

*Italics denotes underweight

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Fund highlights

In July, the Fund finished up 9.34% (post-fees), underperforming the benchmark by -2.09%.

The largest contributors to relative performance included overweight positions in Johns Lyng Group (JLG), Betmakers Technology Group (BTG) and New Hope Corporation (NHC).

Construction services company Johns Lyng Group (JLG) rebounded strongly in July after being impacted by the rotation out of growth names. The company has seen earnings growth as it continues to benefit from an increase in business from insurance companies due to the heavy rain along much of Australia's east coast.

Mining company New Hope Corporation (NHC) outperformed for the period as coal prices bucked the trend of other commodities and increased in July.

The greatest detractors from relative performance included overweight positions in Elders (ELD), Champion Iron (CIA) and Viva Energy Group (VEA).

Agriculture business Elders was weak on concerns that an outbreak of 'Foot and Mouth' disease in Australia could cripple Australia's agricultural sector and reduce demand for Elders' products and services.

Market overview

Australian equities performed strongly in July, with the S&P/ASX Small Ordinaries Accumulation Index returning 11.43%.

July saw equity markets rebound after a torrid June quarter, with Small Caps outperforming the ASX 50 index which rose 4.7% for the month. This was driven by improving investor sentiment as bond yields fell, US companies reporting generally positive results during the US reporting season and slowing economic growth which softened expectations for future rate hikes.

Healthcare (+22.7%) and Financials (+14.5%) were the best performing sectors. The outperformance in the Financials sector was driven by fintechs, fund managers and smaller consumer lending companies outperforming in July. The beaten-up Buy-Now-Pay-Later sector saw a bounce with Zip Co up 158% for the month, albeit still sharply down for the year.

The worst performing sector was Consumer Staples (-2.7%) which underperformed due to concerns over future earnings and growth and its more defensive nature.

Commodity prices broadly fell during the month. Brent oil dropped US\$5 to US\$110/bbl and Iron ore fell US\$5 to US\$118/Mt, driven by delays due to bans on Russian shipments and a combination of over-supply and soft demand respectively. Gold continued to decline, seeing a significant fall to US\$1,753 per ounce, as investor risk appetite improved.

Bond yields fell during the month, as soft economic releases in the US moderated inflation expectations. Australian 10-year yields dropped 0.60% to 3.06% and in the US, 10-year yields fell by 0.33% to 2.64%. The AUD strengthened slightly against the USD, gaining 1.5% for the month.

Outlook

Market focus will turn to company earnings with reporting season commencing in August. Key issues to monitor include any signs of declining demand and balance sheet resilience. Based on early results, any companies that fail to deliver will be marked down severely.

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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