

Macquarie Australian Small Companies Fund

Monthly report – 30 September 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	\$220.3m
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 September 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	-8.34	-8.44	-11.20	2.76
3 months (%)	3.61	3.37	-0.47	3.84
1 year (%)	-11.43	-12.34	-22.56	10.22
3 years (% pa)	7.25	6.32	-0.80	7.12
5 years (% pa)	11.61	10.36	4.07	6.29
Since inception (% pa)	10.39	8.97	2.49	6.48

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)

Elders Limited
IPH Ltd
Johns Lyng Group Ltd
News Corporation
Spark New Zealand Ltd

Top 3 stock attribution (alphabetical)

AVZ Minerals Limited
Elders Limited
New Hope Corporation Limited

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Betmakers Technology Group Ltd
<i>Brickworks Limited</i>
<i>Premier Investments Limited</i>

*Italics denotes underweight

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Fund highlights

In September, the Fund finished down -8.44% (post-fees), outperforming the benchmark by 2.76%.

The key contributors to relative performance included overweight positions in New Hope Corporation (NHC) and Elders (ELD) and an underweight position in Link Administration (LNK).

Thermal coal miner New Hope outperformed as coal prices held up during the period.

Financial services administration solutions provider Link Administration saw share price weakness after a \$2.5 billion takeover bid from software company Dye & Durham collapsed.

The key detractors from relative performance included an overweight position in Betmakers Technology (BET) and underweight positions in Premier Investments (PMV) and Brickworks (BKW).

Retail fashion chain operator Premier Investments outperformed after releasing its full year results for FY 2022. The company delivered growth in online sales, revenue and profit after strong performance in its key Smiggle and Peter Alexander businesses.

Manufacturing company Brickworks also performed strongly for the period after releasing impressive full year FY 2022 results in September.

Market overview

Australian equities fell in September, with the S&P/ASX Small Ordinaries Accumulation Index finishing the month down -11.2%.

Globally, equity markets continued to struggle in September with both the S&P 500 (-9.2%) and the MSCI Developed Markets Index (-8.3%) losing further ground. Investors were burdened by the same issues plaguing markets throughout most of 2022 including persistent inflation, ongoing and aggressive rate hikes and concerns over a global recession. Global markets were also impacted by increased geo-political concerns as Russia announced a “partial mobilisation” of reserve forces and issued warnings to the West about attempts to regain parts of Ukraine, and tensions mounted between the USA and China.

For the Small Ords, Energy (-3.5%) was the best performing sector in September, as no sector was positive for the month. Thermal coal company New Hope (NHC, +28.4%) continued to rise as coal prices held up.

Materials (-14.3%) was the worst performing sector, as most names felt the impact of low commodity prices. Technology (-12.6%) also performed poorly, as the sector continued to be heavily impacted by rising bond yields. This included one of the worst performers for month, Link Admin (LNK, -33.5%) which fell after takeover talks collapsed.

Commodity prices continued to fall during the month as COVID impacts linger and supply increased. This saw Brent oil drop US\$9 to US\$88/bbl and Iron ore fall US\$1 to US\$98/Mt. Gold continued to decline, seeing a fall by US\$44 to US\$1,672 per ounce.

Ongoing rate hikes also impacted bond yields, with Australian 10-year yields increasing 0.29% to 3.89% and in the US, 10-year yields rising by 0.67% to 3.80%. The AUD weakened against the USD, losing -6.46% for the month.

At the time of writing this report, the RBA cash rate is 2.60% after the RBA raised the rate by a less-than-expected 0.25% on Tuesday 4th October 2022.

Outlook

Volatility is likely to remain elevated as markets grapple with higher interest rates, a slowing global economy and potential falls in corporate earnings. Rising geo-political tensions add to the uncertainty.

However, markets have fallen significantly, offering increasing valuation support at current levels. Any signs that central banks are looking to temper interest rate rises would likely see a strong rebound in investor sentiment.

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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

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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