

# Macquarie Australian Small Companies Fund

Monthly report – 31 October 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	\$244.9m
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'
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Minimum investment (Direct)	\$20,000
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Unit prices and spreads	<a href="https://www.macquarie.com.au/unit_prices">macquarie.com.au/unit_prices</a>
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\*Read the Product Disclosure Statement for more details on fees and costs.

## Fund performance to 31 October 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
<b>1 month (%)</b>	7.77	7.57	6.46	1.11
<b>3 months (%)</b>	2.06	1.70	-4.91	6.61
<b>1 year (%)</b>	-4.83	-5.93	-18.31	12.38
<b>3 years (% pa)</b>	9.62	8.62	1.46	7.16
<b>5 years (% pa)</b>	12.18	10.91	4.16	6.75
<b>Since inception (% pa)</b>	10.84	9.41	2.87	6.54

**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
News Corporation
Nufarm Limited
Spark New Zealand Ltd

## Top 3 stock attribution (alphabetical)

Cettire Ltd
Liontown Resources Limited
Syrah Resources Ltd

\*Italics denotes underweight

## Bottom 3 stock attribution (alphabetical)

Eclixp Group Limited
NIB Holdings Limited
<i>Telix Pharmaceuticals Ltd</i>

\*Italics denotes underweight

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## Fund highlights

In October, the Fund finished up 7.57% (post-fees), outperforming the benchmark by 1.11%.

The key contributors to relative performance included overweight positions in Syrah Resources (SYR), Cettire Ltd (CTT) and Liontown Resources (LTR).

Graphite producer Syrah Resources performed strongly for the period after a busy month of market updates. The company released its quarterly activities report, revealed a US\$250 million grant and an update on the restart of its Balama Graphite Operation.

Battery materials company Liontown Resources (LTR) outperformed in October off the back of a strong quarterly update and announcing approval from the Western Australian government to commence work at a major site in WA.

The key detractors from relative performance included overweight positions in NIB Holdings (NHF), Eclix Group (ECX) and an underweight position in Telix Pharmaceutical (TLX).

Private health insurer NIB underperformed for the period after completing an institutional placement to raise capital to fund acquisitions in National Disability Insurance Scheme (NDIS) sector.

Biopharmaceutical company Telix outperformed for the period after releasing promising preliminary data from two separate studies that indicated potentially positive results for cancer treatment.

## Market overview

Australian equities bounced back in October, with the S&P/ASX Small Ordinaries Accumulation Index finishing the month down 6.46%.

Globally, equity markets rallied in October with both the S&P 500 (+8.1%) and the MSCI Developed Markets Index (+7.5%) rebounding strongly. Investor sentiment lifted, following a few tough months, on the hope that central banks are nearing the peak of policy tightening. This was seen in Australia where the Reserve Bank of Australia (RBA) rate hike of 25bps in early October was below market consensus and broke the trend of four consecutive monthly hikes of 50bps.

The Annual General Meeting (AGM) season also kicked off in October, with a trend towards earnings downgrades. Companies that analysts looked unfavourably on included those negatively impacted by high energy and gas costs, the low Australian dollar and volatile weather patterns.

For the Small Ords, Healthcare (+12.3%) was the best performing sector in October. Telix Pharmaceuticals (TLX, +44.8%) outperformed following the release of a strong September quarterly report. Financials (+2.9%) was the worst performing sector with Zip Co (ZIP, -10.2%) underperforming for the period.

Commodity prices had mixed results during the month. Brent oil rose US\$7 to US\$95/bbl while Iron ore fell US\$16 to US\$82/Mt. Gold continued to lose ground as a strong US dollar and high real rates continued to impact prices, seeing a fall by US\$24 to US\$1,648 per ounce.

The smaller-than-expected RBA rate hike in October saw Australian 10-year yields fall by 0.13% to 3.76%. However, in the US, 10-year yields continued their upward trajectory rising by 0.28% to 4.07%. The AUD weakened slightly against the USD, losing -0.02% for the month.

At the time of writing this report, the RBA cash rate is 2.85% after the RBA raised the rate by a further 0.25% on Tuesday 1st November 2022.

## Outlook

Despite a moderate recovery in October, markets continue to offer valuation support at current levels. Corporate earnings remain broadly robust, although the impact of rising interest rates and higher cost-of-living expense is yet to be fully felt by households.

However, volatility is likely to stay elevated whilst the trajectory of interest rates remain uncertain and geo-political risks rise.

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

### Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFSL 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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