

Fund performance

Global markets were routed in March, with the COVID-19 pandemic causing equity markets worldwide to sell off savagely. The plunge that started in late February picked up speed in March, with the S&P 500 falling 34% between February 19th and March 23rd. A market rally in late March trimmed losses, leaving the March quarter losses smaller than those seen in the 2008 Global Financial Crisis.

March saw drastic government responses to the pandemic, resulting in border closures, business shutdowns and people confined to their homes. Global central banks and governments unleashed aggressive stimulus packages to support their economies and stave off economic collapse during shutdowns. Oil prices fell sharply, as stockpiles reached new highs.

In Australia, local markets followed global markets lower, with the S&P/ASX 100 down -20.7% for the month. Smaller capitalisation stocks were similarly down 22.4% at the end of March, showing recovery from an intra-month drawdown almost 5% larger than that in the larger cap index. The Australian Dollar saw huge volatility over this period, recovering from an -11% intra-month low to finish March at only 5% weaker against the USD.

Within Small cap stocks, Consumer Staples (+5.7%) was the standout sector, and the only positively returning sector within the Small Ordinaries index in March. Healthcare (-12.2%) and Information Technology (-15.3%) were the next best performers. Consumer Discretionary stocks (-36.1%) and Financials (-33%) were the weakest performing sectors. Gold stocks outperformed, down only 10.8% for the month.

The Blue *Orbit* Australian Small Caps Systematic Alpha Fund returned -25.7% in March, underperforming its benchmark (S&P/ASX Small Ordinaries Accumulation index) which returned -22.4%.

The Fund was rebalanced in March, with minor changes to the signal methodology and weighting implemented as part of our response to the ongoing COVID-19 market crisis. Further detail on the updates is outlined in our Signal attribution below.

As at 31 March 2020	1 Month	3 Month	FYTD	1 Year	Since Inception ²
Blue Orbit Australian Small Cap Systematic Alpha Fund ¹	-25.67%	-31.10%			-31.29%
Benchmark ³	-22.38%	-26.72%			-25.30%
Excess Return	-3.29%	-4.38%			-5.99%

1. Returns shown are Net of Fees. Returns shown for the Lead Series (October 2019).

2. Inception Date is 11 October 2019.

3. Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

Portfolio Facts

Fund Details	
Fund Valuation (AUD)	\$1,372,133
NAV unit price (Mid)	\$0.6871
Inception date	11 October 2019
Performance benchmark	S&P/ASX Small Ordinaries Accumulation Index
Buy/sell spread	0.20%/ -0.20%
Distributions	Annually

Portfolio Characteristics

Characteristics	Portfolio	Benchmark	Top Ten Holdings	Portfolio	Benchmark
Number of securities	99	197	Fisher & Paykel Healthcare Corp. Ltd	4.54%	2.83%
Market Capitalization	2,754	2,009	Technology One Limited	4.40%	1.42%
Active Share	41.9	0.0	Saracen Mineral Holdings Limited	4.00%	2.67%
Dividend Yield	4.9	4.1	Inghams Group Ltd.	3.32%	0.78%
Price/Earnings	12.9	12.9	Harvey Norman Holdings Ltd	3.12%	1.36%
P/E using FY1 Est	13.8	13.4	Spark New Zealand Limited	3.10%	0.64%
Price/Cash Flow	9.3	8.8	Silver Lake Resources Limited	3.03%	0.83%
Price/Book	1.3	1.3	Platinum Asset Management Ltd	2.94%	0.68%
ROE	17.4	11.7	Metcash Limited	2.87%	1.98%
LT Debt to Capital	19.0	20.5	Bega Cheese Limited	2.67%	0.67%

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 March 2020

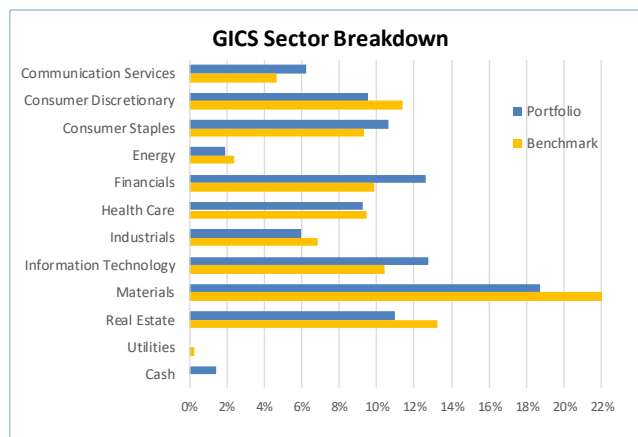


Five Largest Overweight Positions

Security	Portfolio	Benchmark	Active
Technology One Limited	4.40%	1.42%	2.98%
Inghams Group Ltd.	3.32%	0.78%	2.54%
Spark New Zealand Limited	3.10%	0.64%	2.46%
Platinum Asset Management Ltd	2.94%	0.68%	2.26%
Silver Lake Resources Limited	3.03%	0.83%	2.20%

Five Largest Underweight Positions

Security	Portfolio	Benchmark	Active
Viva Energy Group Ltd.	0.00%	0.94%	-0.94%
St. Barbara Ltd.	0.00%	1.00%	-1.00%
Vocus Group Limited	0.00%	1.06%	-1.06%
Nufarm Limited	0.00%	1.10%	-1.10%
IRESS Limited	0.00%	1.22%	-1.22%



Alpha Signal Attribution

Alpha Signal	1 Month Return	1 Month Excess	2 Year Annualised Excess Return	2 Year Annualized Tracking Error	2 Year Information Ratio
Small Ordinaries	-22.38%				
Defensive Alpha Signal	-24.63%	-2.25%	1.53%	3.89%	0.39
Quality Alpha Signal	-23.59%	-1.21%	1.15%	4.53%	0.25
Trend Alpha Signal	-24.73%	-2.35%	1.26%	4.15%	0.30
Diversified Alpha Signal	-24.92%	-2.54%	0.84%	2.76%	0.30
Systematic Alpha Portfolio (Model)	-25.34%	-2.96%	-2.17%	4.37%	-0.49
Blue Orbit Australian Small Caps Systematic Alpha Fund*	-25.60%	-3.22%	N/A	N/A	N/A

*Fund Returns in this table is shown Gross of Fees.

The Blue Orbit Systematic Alpha process is built from three individual underlying Alpha Signals, developed using proprietary internal quantitative research processes. The three individual Signals are well diversified with low to negative correlations, and designed to outperform in differing market environments.

The Diversified Alpha Signal is the combination of the individual underlying Alpha Signals, and is used as the main alpha input to construct the portfolio.

The Systematic Alpha Model is the target model portfolio that the strategy is traded towards. This model is a theoretical target, and its returns do not include fees or transaction costs.

The returns shown here for the Blue Orbit Systematic Alpha Fund are the gross returns of the live Fund for the relevant period, shown after transaction costs but before management or performance fees.

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 March 2020



Sector Attribution

Sector Attribution	ASX Small Systematic			S&P/ ASX Small Ordinaries			Attribution		
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation	Selection + Interaction	Total
Health Care	8.13%	-4.03%	0.35%	8.70%	-10.65%	-0.50%	-0.07%	0.67%	0.60%
Energy	1.57%	-9.32%	0.08%	2.44%	-26.59%	-0.63%	0.08%	0.35%	0.44%
Utilities	0.10%	-33.55%	-0.06%	0.31%	-33.59%	-0.12%	0.05%	0.02%	0.07%
Industrials	7.72%	-27.84%	-2.44%	7.15%	-28.72%	-2.22%	-0.02%	0.08%	0.07%
Financials	14.02%	-31.18%	-5.10%	10.46%	-33.41%	-4.00%	-0.40%	0.43%	0.03%
Real Estate	12.01%	-31.22%	-4.41%	14.30%	-28.92%	-4.82%	0.24%	-0.36%	-0.11%
Communication Services	4.40%	-32.16%	-1.28%	4.90%	-28.63%	-1.65%	0.05%	-0.23%	-0.17%
Information Technology	11.73%	-18.97%	-1.75%	9.39%	-8.70%	-0.39%	0.39%	-1.19%	-0.80%
Materials	18.15%	-22.02%	-3.37%	21.67%	-18.40%	-3.38%	-0.18%	-0.75%	-0.92%
Consumer Staples	6.65%	7.17%	0.41%	8.48%	4.23%	0.40%	-1.21%	0.13%	-1.07%
Consumer Discretionary	14.06%	-39.22%	-8.01%	12.19%	-34.92%	-5.08%	-0.76%	-0.90%	-1.66%
Cash	1.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.00%	0.30%
Total	100%	-25.58%	-25.58%	100%	-22.38%	-22.38%	-1.54%	-1.75%	-3.20%

Size Attribution

Size Attribution	ASX Small Systematic			S&P/ASX Small Ordinaries			Attribution		
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation	Selection	Total
Total	100.00	-25.58	-25.58	100.00	-22.38	-22.38	1.36	-4.56	-3.20
Market Cap Quintile 1 (Large)	51.95	-18.05	-7.15	42.03	-17.64	-6.93	0.28	-0.29	-0.01
Market Cap Quintile 2	24.58	-27.84	-8.52	25.22	-24.47	-6.39	-0.14	-1.15	-1.29
Market Cap Quintile 3	11.71	-39.31	-5.72	16.74	-23.82	-4.13	0.16	-2.50	-2.34
Market Cap Quintile 4	8.42	-30.79	-3.36	9.94	-26.76	-2.76	0.06	-0.48	-0.43
Market Cap Quintile 5 (Small)	1.57	-42.38	-0.83	5.25	-35.44	-2.22	0.68	-0.16	0.51
Cash	1.49	--	--	--	--	--	0.33	--	0.33

Stock Attribution

Stock Attribution	ASX Small Systematic			S&P/ ASX Small Ordinaries			Attribution
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Total Effect
Top 5							
Technology One Limited	3.86%	2.13%	0.27%	1.23%	2.04%	0.09%	0.67%
A.P. Eagers Limited	0.04%	-6.81%	-0.02%	0.59%	-64.61%	-0.60%	0.40%
Silver Lake Resources Limited	3.16%	-14.57%	-0.27%	0.78%	-14.02%	-0.05%	0.39%
Fisher & Paykel Healthcare Corporation Limited	3.44%	17.24%	0.75%	2.37%	17.28%	0.50%	0.35%
Pro Medicus Limited	1.73%	-3.99%	-0.09%	0.46%	-3.32%	0.03%	0.33%
Bottom 5							
Corporate Travel Management Limited	0.54%	-65.05%	-0.70%	0.46%	-36.45%	-0.16%	-0.42%
oOh media Ltd	0.61%	-77.31%	-0.89%	0.23%	-71.97%	-0.27%	-0.49%
EML Payments Ltd.	1.26%	-36.08%	-1.13%	0.44%	-36.46%	-0.19%	-0.61%
Credit Corp Group Limited	1.39%	-60.18%	-1.57%	0.61%	-58.04%	-0.54%	-0.74%
Super Retail Group Limited	2.03%	-44.03%	-1.79%	0.52%	-42.91%	-0.30%	-0.81%

Performance Commentary

Defensive Alpha Signal

The Defensive Alpha Signal underperformed the Benchmark in March, returning -24.6%. The majority of underperformance was due to sector allocation within the signal, with overweights to the hard hit Consumer Discretionary and Financials sectors and an underweight to the outperforming Information Technology sector.

A small underweight to strongly performing gold stocks detracted over 1% of performance relative to the Benchmark.

The signal's key stock detractors were its overweights to Growthpoint Properties (-41%), Harvey Norman Holdings (-20.5%) and Janus Henderson Group PLC (-22.8%). Underweights to Vocus Group Limited (-27.9%), Credit Corp Group (-58%) and IDP Education (-45.1%) were among the key positive contributors to relative performance.

There were no changes to the composition or weighting of the Defensive Alpha signal as part of our March rebalancing.

Quality Alpha Signal

The Quality Alpha signal also had a weak month, returning -23.6%. Signal performance was weak during the market sell off environment, with intra-month underperformance recovering significantly in the last week of the month as the market rallied. An overweight to the poorly performing Consumer Discretionary sector, as well as poor stock selection within the Communication Services Sector, were the key detractors to signal performance in March. Overweights to Ooh Media Limited (-72%), IDP Education Ltd (-45%) and Super Retail Group (-42.9%) were the key stock detractors for March.

There were no changes to the composition of the Quality Alpha signal as part of the March rebalancing. However, as this signal is reliant primarily on historical fundamental data to generate profitability information, we recognised that the current economic climate has slightly reduced the efficacy of the forward predictive power of this data, until we have better information on the shape and duration of the economic impact. We still believe the companies that efficiently generated Free Cash Flow prior to COVID-19 should outperform those that didn't. Accordingly, we have reduced the weighting of the Quality Alpha signal as a proportion of the overall Diversified Alpha Signal.

Trend Alpha Signal

The Trend Alpha Signal also underperformed in March, down -24.7%. An underweight allocation to the outperforming Consumer Staples sector was the key detractor, together with an overweight to poorly performing financial stocks. The signal was underweight Metcash (+27.5%) in the early part of March, and overweight Credit Corp Group (-58%) and Steadfast Group (-33%). An overweight position in EML Payments Ltd (-37%) also detracted value. The signal's overweight to Fisher & Paykel Healthcare (+17.3%) and underweight to Vocus Group (-27.9%) and Webjet (-60.7%) were the key positive contributors to performance.

The Trend signal composition had an amendment during the March rebalance. Previously, we have been using the last 12 months of returns to generate the trend portion of the signal. We have transitioned to a shorter timeframe for trend (4 months), with an exponential weighting scheme that recognises the relatively larger importance of recent price movements compared to those further in the past. Additionally, the overall weighting of the Trend Signal within the Diversified Alpha signal has been increased. Historically, shorter term trend signals outperformed longer term during periods of very high volatility.

Diversified Alpha Signal

The Diversified Alpha Signal underperformed the Benchmark by 2.5% in March. Underperformance was driven by an underweight to the strongly performing Consumer Staples sector, an overweight to Consumer Discretionary stocks, together with poor stock selection within the Information Technology sector. The signal's key stock detractors were overweights in Super Retail Group (-42.9%), EML Payments (-36.5%) and Codan Limited (-24.8%). Underweight positions in Vocus Group (-27.9%), IOOF Holdings (-35.5%) and Sims Limited (-35.8%) added value relative to the Benchmark.

Systematic Model versus Diversified Alpha Signal

The Systematic Model underperformed the Diversified Alpha Signal by just over 0.4% in March. The performance differential was driven by sector allocation within the Systematic Model, which was overweight Consumer Discretionary, and underweight Consumer Staples. Additionally, an overweight to Financials also detracted some value. However, the Systematic Model benefited from a larger underweight to poorly performing Real Estate stocks than the Diversified signal.

Blue Orbit Systematic Alpha Fund Performance

The Fund returned a gross performance of -25.6% in March, underperforming its Benchmark by 3.2%. The underperformance was due to both sector allocation and stock selection, in line with the underperformance of the Diversified Alpha Signal. The Fund's overweight to Consumer Discretionary Stocks and underweight to Consumer Staples were the key detractors, together with poor stock selection within the Information Technology sector. Overweights to Super Retail Group (-42.9%), Credit Corp Group (-58%) and EML Payments (-36.5%) were the key stock detractors. The Fund's overweight to Technology One (+2%) and Silver Lake Resources (-14%), together with an underweight to AP Eagers Limited (-64.6%) were the key contributors.

A component of our systematic process has historically been a torpedo finder, which we use to identify those stocks at potential risk of a significant price fall or bankruptcy, using short-term market information as the key identifier. Given the immediate nature of the crisis generated by COVID, we have expanded the filtering criteria for our torpedo finder to aim to identify those stocks at risk additionally, due to the current demand cliff and insufficient access to funds to weather the crisis— putting them at risk of highly dilutive raisings or potential insolvency.

Conclusion

March's market meltdown saw huge volatility and market panic within a highly compressed timeframe. Systematic approaches struggled with the unprecedented moves- as well as our systematic alpha signals, every one of the naively constructed factor portfolios underperformed the Benchmark in March (with Low Volatility the worst of the underperformers, down almost 4% against the Benchmark). The sharp turnaround in the market toward the end of the month saw a reversal in factor performance, with naïve 12 month momentum (until mid-march the worst performer with over 5% drawdown) rallying sharply to finish with a monthly underperformance of only 0.80%.

The seismic shifts in the market caused by the COVID pandemic have been unprecedented – a challenge for any strategy that relies on learning from past experiences in the market. Throughout the crisis period, we have been continually critically evaluating the performance of our signals and Fund against our expected performance in historical crises, to ensure that the rationale for the investment thesis continues to make sense in every environment. We are comfortable that the minor modifications made to the process to reposition the Fund for the current crisis are appropriate and in line with our overall investment rationale, and will continually evaluate market conditions to determine if and when a return to our previous weighting methodology would be warranted. The fund currently holds a defensive position, being overweight Consumer Staples, Gold, Information Technology, and large cap, with moderate underweight positions to Consumer Discretionary and Materials.

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