

Fund performance

Global markets continued to rally into the start of July, but regionally we saw divergence in performance as the month progressed. US stocks rallied strongly in July, with hopes of a potential COVID-19 vaccine and some better-than-expected earnings results outweighing the increase in virus cases, and elevated Chinese-US tensions. The S&P 500 climbed 5.6% overall in July. Tech stocks were a standout, with the NASDAQ rallying 6.9%. Smaller cap stocks lagged, with the Russell 2000 up only 2.8% for the month.

European equities were a different story, with concerns over the implementation of ECB stimulus policies and geopolitical tensions leading the FTSE 100 down 4.4%, and the Euro STOXX600 down 1.1%. Asian equities were mixed, with Japanese equities underperforming (-2.6%) while Taiwan (+8.9%) and Korean (+6.7%) stocks rallied. The AUD rallied for a fourth month against the greenback, adding 4.2% against the USD.

In Australia, markets gave up most of their early gains, with the larger cap ASX 100 finishing July up only 0.5%. Early market optimism and the strong US market lead was hampered by the increases in local COVID-19 cases, and particularly by Victoria re-entering Stage 3 lockdowns late in the month. Inter-state border tensions also added to overall uncertainty, with several states hardening their border restrictions in response to the increase in case numbers. Smaller cap stocks locally however outperformed their larger counterparts, with the S&P/ASX Small Ordinaries up 1.4% for the month.

Within Australian small cap stocks, Materials was the standout sector performer, up 6.3% in July. This was driven by strong rallies in Diversified Metals and Mining (+10.8%) and Gold stocks (+10.3%). Financials (+2.9%) and Consumer Discretionary stocks (+2.1%) also outperformed, while Healthcare (-3.5%) and Energy (-2.9%) were the weakest performers. The Blue Orbit Australian Small Caps Systematic Alpha Fund returned 2.79% in July, outperforming its benchmark (S&P/ASX Small Ordinaries Accumulation index) which returned 1.39%.

As at 31 July 2020	1 Month	3 Month	FYTD	1 Year	Since Inception ²
Blue Orbit Australian Small Cap Systematic Alpha Fund ¹	2.79%	13.49%	2.79%		-13.02%
Benchmark ³	1.39%	9.94%	1.39%		-6.15%
Excess Return	1.40%	3.55%	1.40%		-6.87%

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)	\$1,617,653
NAV unit price (Mid)	\$0.8591
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	117	200	Super Retail Group Limited	2.86%	0.72%
Market Capitalization	2,649	2,248	Seven Group Holdings Limited	2.63%	1.17%
Active Share	40.4	0.0	Pro Medicus Limited	2.60%	0.52%
Dividend Yield	3.5	3.4	Harvey Norman Holdings Ltd	2.54%	1.30%
Price/Earnings	16.5	15.5	Premier Investments Limited	2.53%	0.84%
P/E using FY1 Est	17.4	18.2	Appen Ltd.	2.49%	1.96%
Price/Cash Flow	11.7	10.5	Janus Henderson Group	2.40%	0.59%
Price/Book	1.9	1.6	Mineral Resources Limited	2.32%	2.14%
ROE	16.7	10.3	Netwealth Group Ltd.	2.25%	0.53%
LT Debt to Capital	19.4	20.9	Codan Limited	2.20%	0.51%

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 July 2020

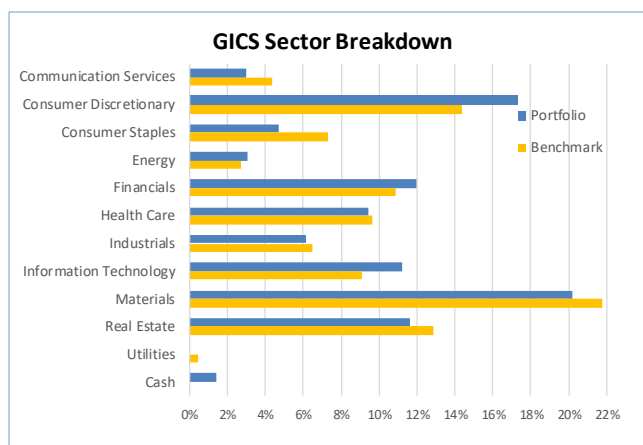


Five Largest Overweight Positions

Security	Portfolio	Benchmark	Active
Super Retail Group Limited	2.86%	0.72%	2.14%
Pro Medicus Limited	2.60%	0.52%	2.08%
Janus Henderson Group	2.40%	0.59%	1.80%
Netwealth Group Ltd.	2.25%	0.53%	1.72%
Codan Limited	2.20%	0.51%	1.69%

Five Largest Underweight Positions

Security	Portfolio	Benchmark	Active
Perseus Mining Limited	0.00%	0.93%	-0.93%
Vocus Group Limited	0.00%	0.93%	-0.93%
IRESS Limited	0.00%	0.94%	-0.94%
IDP Education Ltd.	0.16%	1.15%	-0.99%
Steadfast Group Limited	0.46%	1.50%	-1.04%



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	1.39%				
Defensive Alpha Signal	-0.14%	-1.53%	1.33%	4.58%	0.28
Quality Alpha Signal	1.84%	0.45%	5.26%	6.72%	0.77
Trend Alpha Signal	4.08%	2.69%	1.86%	6.14%	0.30
Value Alpha Signal	0.55%	-0.84%	-1.68%	7.23%	-0.23
Diversified Alpha Signal	2.11%	0.72%	1.52%	3.39%	0.44
Systematic Alpha Portfolio (Model)	2.46%	1.06%	-2.78%	4.69%	-0.58
Blue Orbit Australian Small Caps Systematic Alpha Fund*	2.86%	1.47%	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 individual underlying Alpha Signals, developed using proprietary internal quantitative research processes. The 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 July 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
Consumer Discretionary	17.29%	7.31%	1.21%	14.11%	2.08%	0.30%	0.01%	0.85%	0.86%
Information Technology	11.03%	7.68%	0.82%	9.17%	1.79%	0.16%	0.01%	0.62%	0.63%
Communication Services	2.95%	4.42%	0.12%	4.36%	0.01%	0.00%	0.02%	0.11%	0.13%
Industrials	6.28%	-1.60%	-0.07%	6.57%	-2.68%	-0.17%	0.02%	0.08%	0.09%
Consumer Staples	4.80%	1.41%	0.09%	7.45%	0.36%	0.03%	0.03%	0.06%	0.09%
Financials	11.32%	3.40%	0.35%	10.97%	2.85%	0.30%	-0.01%	0.06%	0.05%
Real Estate	11.68%	-0.62%	-0.08%	12.96%	-0.50%	-0.05%	0.03%	-0.01%	0.02%
Utilities	0.09%	-4.04%	-0.01%	0.46%	-2.13%	-0.01%	0.01%	0.00%	0.01%
Health Care	9.39%	-4.42%	-0.41%	9.83%	-3.51%	-0.34%	0.04%	-0.08%	-0.04%
Energy	3.21%	-8.37%	-0.26%	2.82%	-2.91%	-0.08%	0.00%	-0.18%	-0.18%
Materials	19.96%	5.51%	1.05%	21.31%	6.25%	1.25%	-0.07%	-0.14%	-0.20%
Cash	2.01%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.05%	0.00%	-0.05%
Total	100%	2.82%	2.82%	100%	1.39%	1.39%	0.05%	1.37%	1.43%

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	2.82	2.82	100.00	1.39	1.39	0.03	1.40	1.43
Market Cap Quintile 1 (Large)	48.40	2.71	1.35	38.39	1.29	0.51	-0.02	0.68	0.65
Market Cap Quintile 2	24.70	4.90	1.18	27.15	2.01	0.54	-0.00	0.69	0.69
Market Cap Quintile 3	13.49	-3.32	-0.45	16.88	-0.84	-0.13	0.08	-0.34	-0.25
Market Cap Quintile 4	9.91	8.34	0.75	11.13	4.57	0.49	-0.05	0.35	0.31
Market Cap Quintile 5 (Small)	1.49	0.77	-0.00	6.45	-0.02	-0.00	0.07	0.01	0.08
Cash	2.01	--	--	--	--	--	-0.04	--	-0.04

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							
Netwealth Group Ltd.	2.04%	34.02%	0.58%	0.48%	33.89%	0.13%	0.42%
Data#3 Limited.	1.90%	24.61%	0.39%	0.42%	24.45%	0.09%	0.29%
Codan Limited	2.10%	16.37%	0.31%	0.49%	16.36%	0.07%	0.22%
Super Retail Group Limited	3.18%	10.33%	0.30%	0.65%	10.31%	0.07%	0.20%
Kogan.com Ltd.	2.39%	7.42%	0.28%	0.56%	13.18%	0.07%	0.18%
Bottom 5							
Genworth Mortgage Insurance Australia Ltd	0.66%	-18.12%	-0.13%	0.20%	-18.12%	-0.04%	-0.10%
Viva Energy Group Ltd.	1.76%	-12.03%	-0.22%	0.95%	-11.54%	-0.11%	-0.11%
Perseus Mining Limited	0.00%	0.00%	0.00%	0.86%	17.18%	0.13%	-0.12%
Janus Henderson Group PLC Shs Chess Deposits	2.50%	-5.94%	-0.15%	0.62%	-5.94%	-0.04%	-0.14%
Pro Medicus Limited	2.63%	-9.57%	-0.25%	0.54%	-9.60%	-0.05%	-0.23%

Performance Commentary

Defensive Alpha Signal

The Defensive Alpha Signal underperformed the Benchmark by 1.5% in July.

The signal's underweight to and stock selection within Materials was a key contributor to its underperformance, detracting over 1% overall. A large underweight position in strongly rallying gold stocks hurt overall performance. The signal also had overweight positions in poorly performing Unibail Rodamco-Westfield (-10.4%) and ADBRI Limited (-30.5%).

Generally we expect this signal to underperform in an up market scenario, as its defensive characteristics are better placed to outperform in a down market scenario.

Quality Alpha Signal

The Quality Alpha Signal outperformed the Benchmark, with an excess return of 0.45% in July. Much of the signal's outperformance came from its stock selection within Financials, particularly within the Asset Management subindustry. The signal was overweight to strongly performing Netwealth Group (+33.9%) and HUB24 Ltd (+43.4%).

Good stock selection within the Information Technology sector also added value, with the top contributors being overweights to Data#3 Limited (+24.5%) and Codan Limited (+16.4%).

Materials was the key sector detractor for the Quality Alpha signal in July. The Signal did not hold Mineral Resources Limited (+21.6%), Pilbara Minerals Limited (+40%) or Orocobre Limited (+28.6%).

The growth tilt of our Quality Alpha signal generally sees this outperform in a rising market environment, which we saw over the month of July.

Trend Alpha Signal

The Trend Alpha Signal saw a strong outperformance in July, outperforming the benchmark by 2.7%.

The signal's outperformance was primarily due to strong stock selection in the Consumer Discretionary and Information Technology sectors. The Signal did not hold IDP Education (-14.1%), and was overweight in A.P.Eagers Ltd (+20.2%), Breville Group (+13.4%) and Kogan Limited (+13.2%). Within IT, an overweight to Appen Ltd (+5.1%) also added value.

The signal outperformed across a majority of sectors, with Energy, Financials and Utilities collectively detracting only 0.12% from performance.

Diversified Alpha Signal

The Diversified Alpha signal outperformed in July, with an excess return of 0.72% over the Benchmark.

The outperformance of 2 out of 3 of its underlying component signals in July saw the Diversified signal also outperform the Benchmark. The Diversified signal benefited from strong stock selection within Consumer Discretionary and IT, with overweights to Kogan Ltd (+13.2%), Super Retail Group (+10.3%), and Data#3 Ltd (+24.5%) among the key contributors. Materials detracted some value in July, as the signal did not hold the strongly performing Perseus Mining Limited (+17.2%) or Orocobre Limited (+28.6%), and had a small overweight position to ADBRI Limited (-30.5%).

Value Alpha Signal

The Value Alpha Signal is not currently in the model, but is managed as a paper portfolio in FactSet.

The Value Alpha Signal underperformed the Small Ordinaries in July by 0.84%. July was a difficult month for the value style in the small caps market, with naïve Dividend Yield and P/E factors showing large underperformances against the Benchmark. Materials was the key detractor for Value in July, with the signal underweight Mineral Resources Limited

(+21.6%), and not holding Pilbara Minerals (+40%) or Orocobre Limited (+28.6%). Overweight positions in oOh Media Ltd (-17.6%) and Genworth Mortgage Insurance (-18.1%) also detracted over the month.

Systematic Model versus Diversified Alpha Signal

The Systematic Model outperformed the Diversified Alpha Signal by 0.35% in July, and outperformed the Benchmark by 1.06%.

The majority of the Model's outperformance against the Benchmark was due to strong stock selection. Size allocation was fairly neutral in July, as the distribution of returns was less linear in July than in June. The Model was underweight the smallest quintile of stocks, which were among the weakest performers (-0.60%). Overweighting the largest quintile of stocks additionally did add value, with this segment up 2.03% in July. The second smallest quintile of stocks was the strongest performer (up 5% in July), with the Model's larger capitalisation tilt seeing a smaller weighting to these stocks.

However, strong stock selection in the best performing quintiles of the market added most of the value, with stock selection adding 1% of the total outperformance over the Benchmark.

Relative to the Diversified Alpha Signal, the Systematic Model outperformed primarily due to the more concentrated positions. Increased weights in Netwealth, Codan, Data#3, and Super Retail added value, as did reduced weights in IDP Education, Corporate Travel, and ADBRI. The only significant detractors were the increased weights in Pro Medicus (-9.6%), and Janus Henderson (-5.9%).

Blue Orbit Systematic Alpha Fund Performance

The Fund returned a gross performance of 2.86% in July, an outperformance over its Benchmark of 1.5%.

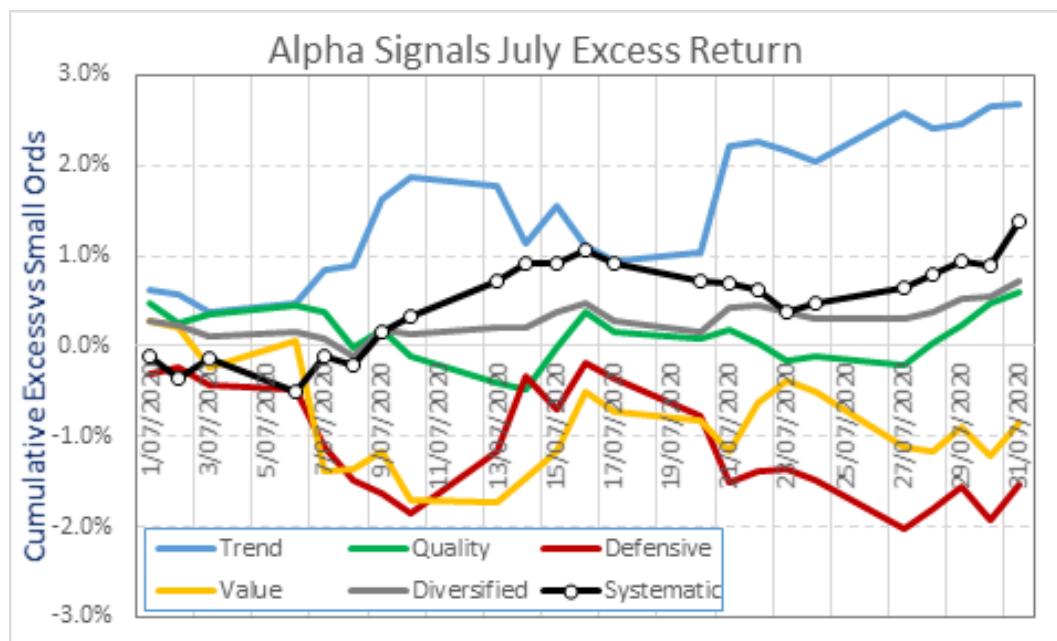
The Fund's outperformance in June was again almost entirely due to strong stock selection, with the Fund's sector constraints leading to near-zero sector allocation effect on performance. Stock selection in the Consumer Discretionary and Information Technology sectors added the most value, with the Fund's top contributors being overweight positions to Data#3 Limited (+24.5%), Codan Limited (+16.4%) and Super Retail Group (+3.2%). Financials stocks also added value, with the Fund's overweight to Netwealth Group (+33.9%) the largest single stock contributor to outperformance.

The live Fund also had an outperformance of 0.33% against its Systematic model target over the month.

Signal Performance During the Month

The following chart shows the cumulative excess performance of the Alpha Signals during the month. Trend was the clear standout performer over the month, with only a small drawdown mid-month that coincided with a brief rally in Value. Value overcame some of its early losses as the month progressed, but remained underwater for the entire month of July. Similarly Defensive had a poor month, ending the month near its lows as the market rallied.

The intra-month volatility of the signals has been an enduring trend throughout the last few months, with us seeing regular reversals after 1-2 weeks of a trend. The volatility in individual signals again highlights the importance of signal diversification- which can clearly be seen in the smoother, steadier outperformance of the Fund and its underlying Diversified Alpha Signal in July.



Conclusion

Although the economic impacts of the COVID-19 pandemic continue to worsen globally, most markets have continued to strengthen. Volatility has also trended downwards steadily over the month of July, with VIX levels, although still elevated, approaching their longer term average ranges. Capital raising activity in Australian small cap stocks remains higher than usual, and we expect to see more raisings underway as companies release their full year earnings results in the next few weeks. The coming reporting season will be a critical one for Australian companies. Understanding the full financial toll of the first half of the pandemic and resetting earnings expectations for the coming years is likely to lead to high volatility and some potentially large surprises over the coming month. For the Fund, we will be rebalancing during this period to update our signals with this latest financial information.

The gradual moderation of the volatility environment has also coincided with signal performance continuing within its expected ranges. As per our longer term expectations, we have seen 2 out of the three currently employed alpha signals outperforming, in the expected directions given our market environment. This led to an outperformance within the diversified alpha signal and the Fund itself, with the portfolio construction process adding value over the alpha signals themselves. The diversification of the alpha signals is a key driver of our risk adjusted performance, by allowing the portfolio to outperform across many different market environments for a more consistent and regular overall outperformance.

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