

## Strategy performance

Markets continued their rise in March, as the COVID-19 vaccine rollout picked up pace. Investors turned their attention to the new US stimulus package nearing approval, positive company earnings reports and encouraging global manufacturing survey results. US large caps rose strongly, with the S&P 500 up 4.3%. However, mega cap tech stocks lagged, with the NASDAQ up only 0.5%. US Small caps again underperformed, with the Russell 2000 US Small cap index adding only 1%. In global markets, the Nikkei added 1.3%, FTSE100 ended up 4.2%, and overall the MSCI World Developed (USD) Index increased by 3.4%. The AUD weakened over the month, losing 1.6% against the USD.

In global small caps, the Benchmark MSCI World ex AU Small Cap Index (net, AUD) ended the month 3.85% higher, underperforming its large cap component, which climbed 5.1%. Value continued its run of strong outperformance versus growth, with the MSCI World ex AU Small Cap Value Index, in AUD (+6%) outperforming its growth counterpart (+1.6%).

Health Care (-2.8%) was the weakest sector in March, driven lower by poor performance of US Health Care stocks (-3.7%). Information Technology was the only other negative sector over the month, down -0.04%. Materials (+7.8%), Utilities (+7.7%) and Financials (+6.9%) were the strongest sector performers.

## Performance Commentary

The *Blue Orbit* Global Small Caps Systematic Alpha Strategy had a gross return of 5.35% in March, outperforming the Benchmark by 1.5%.

As at 31 March 2021	1 Month	3 Month	6 Months	1 Year	Since Inception <sup>2</sup>
Blue Orbit Global Small Cap Systematic Alpha Strategy <sup>1</sup>	5.35%	17.04%			17.04%
Benchmark <sup>3</sup>	3.85%	11.16%			11.16%
Excess Return	1.49%	5.87%			5.87%

1. The Strategy is currently being run as a paper strategy only, and is not a live strategy and is not being managed with actual funds. Returns shown are gross returns, and do not include transaction costs or fees. Returns calculated by Factset, in AUD.

2. Inception Date is 31 December 2020.

3. Benchmark is the MSCI World Ex Australia Small Caps index (Net, in AUD)

The strategy hit outperformance early in the month, and maintained its alpha despite volatility in the underlying signals. The Strategy again enjoyed strong outperformance in two of its underlying constituent Alpha Signals over the month, leading to outperformance within the Diversified Alpha Signal. The Systematic Strategy's portfolio construction added a small amount of value in March, with the final Strategy portfolio outperforming the Diversified Alpha Signal by 0.05%.

Relative to the Benchmark, stock selection again provided the bulk of the Strategy's outperformance. However sector allocation added a small amount of value, with the underweight to Healthcare and overweight to Consumer Discretionary stocks (+6%) providing the bulk of the positive effect.

One of the largest detractors in February reversed to become the largest stock contributor, with GameStop up 90% over the month. Williams Sonoma (+39%) and Darling Ingredients (+19%) contributed. Plug Power (-25%) continued to drop, as did Fortnox AB (-19%) and Axon Enterprise (-12.5%).

The Systematic Strategy is about 11% overweight the largest quintile of stocks, and underweight the three smallest quintiles. The largest quintile return was 3.2%, lower than the Benchmark and all other size quintiles. This size allocation detracted 0.09% during March.

# Global Small Caps Systematic Alpha Strategy

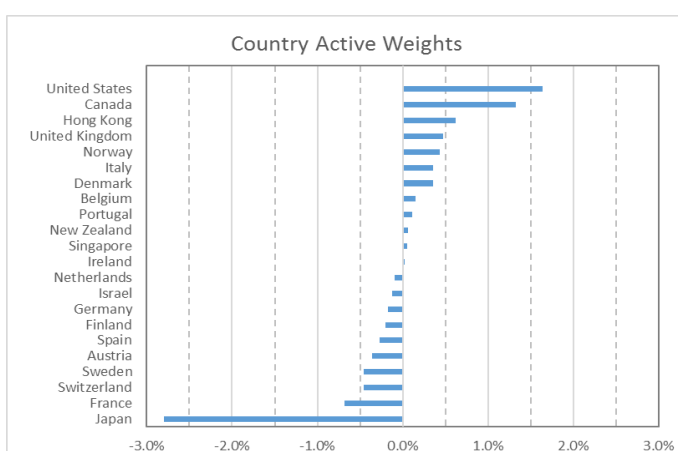
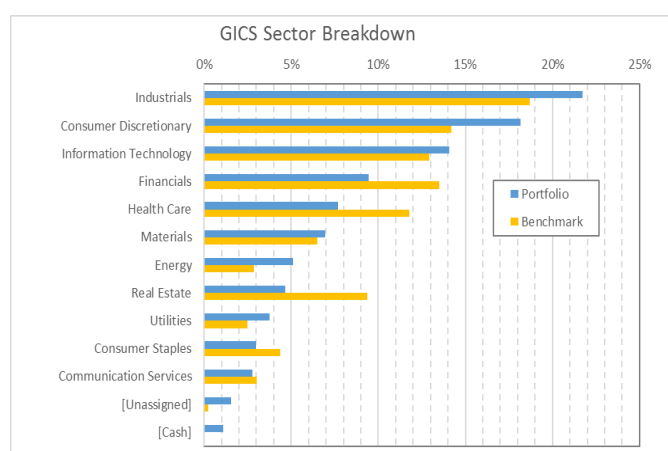
## Monthly Performance Report as at 31 March 2021



### Strategy Characteristics at 31<sup>st</sup> March 2021

Characteristics	Portfolio	Benchmark
Number of Securities	316	4090
Market Capitalization	7,076.6	6,004.3
Active Share	85.3	0.0
Dividend Yield	1.3	1.4
Price/Earnings	18.9	21.6
P/E using FY1 Est	16.1	18.9
Price/Cash Flow	7.8	11.1
Price/Book	2.3	2.0
ROE	5.0	3.6

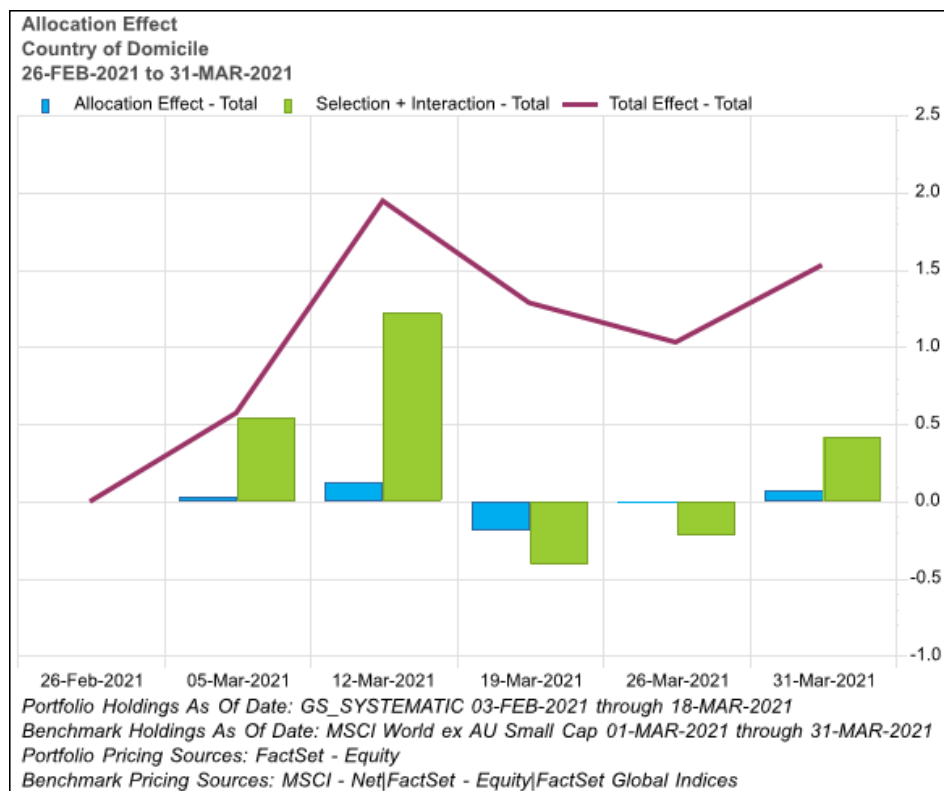
Top 10 Holdings	Portfolio	Benchmark	Active
Cross, Inc.	1.23%	0.07%	1.16%
Aspen Technology, Inc.	1.19%	0.13%	1.06%
Darling Ingredients Inc.	1.20%	0.16%	1.04%
Kohl's Corporation	1.14%	0.12%	1.01%
Middleby Corporation	1.09%	0.12%	0.96%
Ryder System, Inc.	0.98%	0.05%	0.93%
Western Alliance Bancorp	1.04%	0.12%	0.92%
Royal Mail plc	0.97%	0.08%	0.89%
Qurate Retail, Inc. Class A	0.90%	0.06%	0.84%
Toro Company	0.92%	0.15%	0.77%



### Sector Attribution

Sector Attribution	Global Small Cap Systematic			Benchmark			Attribution			Total
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation	Selection + Interaction	Currency	
Consumer Discretionary	18.19%	9.32%	1.64%	14.18%	6.01%	0.84%	0.07%	0.52%	0.07%	0.66%
Materials	6.69%	13.85%	0.89%	6.41%	7.79%	0.49%	0.01%	0.40%	-0.02%	0.39%
Industrials	21.92%	7.25%	1.58%	18.54%	5.92%	1.09%	0.09%	0.21%	0.05%	0.35%
Health Care	7.80%	-4.22%	-0.41%	11.96%	-2.77%	-0.38%	0.29%	-0.17%	0.03%	0.15%
Communication Services	2.97%	3.46%	0.11%	3.09%	0.95%	0.03%	0.00%	0.07%	0.02%	0.09%
Real Estate	4.71%	4.06%	0.20%	9.36%	3.12%	0.29%	0.03%	0.02%	0.03%	0.08%
Consumer Staples	2.99%	8.99%	0.28%	4.34%	6.53%	0.29%	-0.04%	0.08%	0.00%	0.04%
Utilities	3.66%	7.06%	0.26%	2.42%	7.69%	0.19%	0.04%	-0.02%	0.00%	0.02%
Cash	0.61%	1.65%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
Information Technology	14.88%	0.50%	0.01%	12.95%	-0.04%	-0.04%	-0.09%	0.11%	-0.02%	0.00%
[Unassigned]	0.34%	-1.64%	-0.01%	0.22%	3.96%	0.01%	-0.01%	-0.02%	0.00%	-0.03%
Financials	9.46%	7.02%	0.66%	13.54%	6.85%	0.93%	-0.11%	0.00%	0.00%	-0.11%
Energy	5.78%	1.14%	0.14%	2.98%	3.55%	0.13%	0.00%	-0.14%	0.02%	-0.11%
<b>Total</b>	<b>100.00%</b>	<b>5.38%</b>	<b>5.38%</b>	<b>100.00%</b>	<b>3.85%</b>	<b>3.85%</b>	<b>0.27%</b>	<b>1.06%</b>	<b>0.20%</b>	<b>1.53%</b>

### Country Attribution



### Stock Attribution

Stock Attribution	Global Small Systematic			Benchmark			Attribution
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Total Effect
<b>Total</b>	100.00%	5.38%	5.38%	100.00%	3.85%	3.85%	1.53%
<b>Top 5</b>							
GameStop Corp. Class A	0.50%	89.65%	0.27%	0.14%	89.65%	0.08%	0.18%
Williams-Sonoma, Inc.	0.65%	38.74%	0.22%	0.15%	38.74%	0.05%	0.15%
Darling Ingredients Inc.	1.18%	18.64%	0.21%	0.15%	18.64%	0.03%	0.14%
United States Steel Corporation	0.43%	60.15%	0.21%	0.07%	60.15%	0.03%	0.16%
Cleveland-Cliffs Inc	0.42%	53.23%	0.19%	0.10%	53.23%	0.04%	0.14%
<b>Bottom 5</b>							
Renewable Energy Group, Inc.	0.51%	-13.68%	-0.07%	0.04%	-13.68%	-0.01%	-0.09%
AMC Networks Inc. Class A	0.50%	-17.62%	-0.08%	0.02%	-17.62%	0.00%	-0.10%
Axon Enterprise Inc	0.53%	-12.52%	-0.08%	0.12%	-12.52%	-0.02%	-0.08%
Fortnox AB	0.43%	-19.29%	-0.10%	0.03%	-19.33%	-0.01%	-0.11%
Plug Power Inc.	0.58%	-25.35%	-0.27%	0.00%	0.00%	0.00%	-0.30%

## Alpha Signal Attribution

Alpha Signal	1 Month Return	1 Month Excess
Benchmark	3.85%	
Defensive Alpha Signal	4.24%	0.39%
Quality Alpha Signal	6.19%	2.33%
Trend Alpha Signal	2.65%	-1.21%
Value Alpha Signal	7.25%	3.40%
Diversified Alpha Signal	5.30%	1.45%
Blue Orbit Global Small Cap Systematic Alpha Strategy <sup>1</sup>	5.35%	1.49%

1. The Strategy is currently a paper strategy only, and is not running with any actual funds. Performance numbers do not include transaction fees or costs. Returns calculated from FactSet.

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 Strategy portfolio.

The returns shown here for the Blue Orbit Systematic Alpha Strategy are the paper returns as calculated by Blue Orbit. These returns do not represent live or actual performance, and do not include fees or transaction costs.

### Defensive Alpha Signal

With the market up almost 4% in March, the Defensive Signal managed to add a small amount of alpha over the Benchmark. This was primarily through sector allocation, with the Signal underweight poorly performing Health Care, overweight Utilities (+7.7%), and underweight Information Technology (-0.04%). The Signal's tilt to low volatility stocks also added value, with the lowest volatility quintile (+5.1%) significantly outperforming the highest volatility quintile (+1.2%).

### Quality Alpha Signal

The Quality Signal had a strong month of outperformance, driven by strong stock selection in the Consumer Discretionary, Information Technology, Health Care and Industrials sectors. Overweights to Williams-Sonoma (+39%), Murphy USA (+18%) and Foot Locker (+19%) were among the key contributors. The Signal also enjoyed a small positive attribution effect from its underweight to Health Care and overweight to Industrials (+6%), however an overweight to Information Technology detracted slightly.

### Trend Alpha Signal

Trend Alpha had a highly volatile month, going from outperformance mid-month to a large underperformance later in the month, before paring some of its losses to end down only -1% against the Benchmark. An overweight to Gamestop was a large contributor, however this gain was offset by poor stock selection in Health Care and Information Technology sectors.

### Value Alpha Signal

The Value Alpha Signal was yet again the strongest performer, outperforming all other signals and at one stage up 5% over the Benchmark before paring some of its earlier gains to finish up +3.4%. Sector allocation and Stock selection both added strongly, with the signal largely underweight the underperforming Health Care and Information Technology sectors, which added over 1% to its outperformance. Stock selection additionally added value in every sector except for

# Global Small Caps Systematic Alpha Strategy

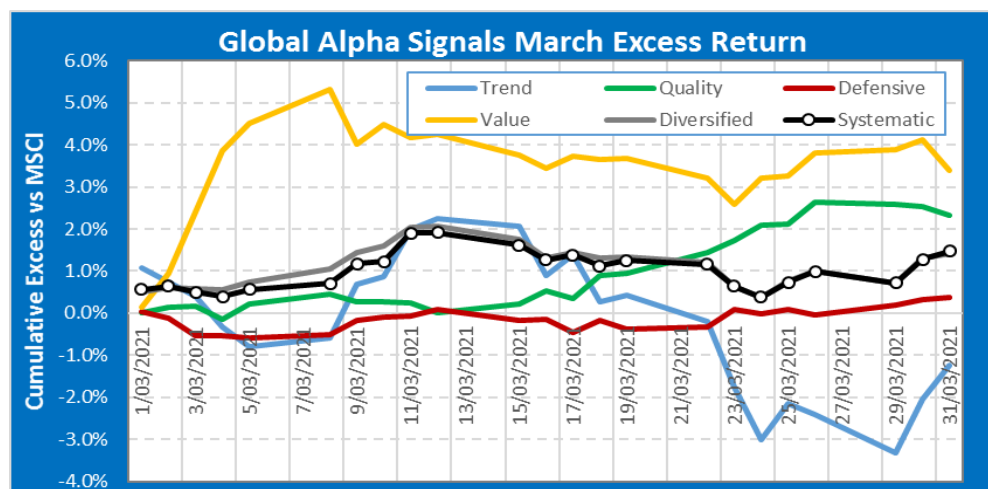
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Energy. Overweights to AerCap Holdings (+24%), DXC Technology (+26%) and SYNEX Corporation (+30.1%) were the largest stock contributors. Not holding Gamestop and an overweight to AMC Networks (-17.6%) were among the largest stock detractors.

### Diversified Alpha Signal

The Diversified Alpha Signal outperformed by 1.45% in March, as three of its constituent underlying Signals outperformed the Benchmark. Outperformance was driven by stock selection adding value across a majority of GICS sectors, however an underweight to Health Care also added 0.3% to performance. Stock wise, overweights to Gamestop, Darling Ingredients (+18.6%) and Williams Sonoma added value. An overweight to Plug Power (-24.7%) and Axon Enterprise (-12.5%) were the largest individual detractors.



The Diversification of the Signals is quite clear in the chart above, not only in the final result, but also on the individual days where there are large Signal movements. The strong outperformance of both Value and Quality can be seen flowing through to the outperformance of Diversified and the Systematic Strategy over the month. Value continues to dominate global small cap performance, which the Systematic strategy is able to capture successfully.

## Conclusion

The Blue Orbit Global Small Caps Systematic Alpha Strategy had a third month of strong performance against its Benchmark, continuing to add significant alpha in a strong market environment. While value continues to dominate global market performance, the strategy is well positioned to continue to harvest alpha in a variety of market environments. Market volatility continues to fall, with the CBOE VIX down to 19.4, slightly below 22.8 as of 31<sup>st</sup> December, and well below the peak of 82.7 during March 2020. This moderate level of market volatility provides a good opportunity for multiple-alpha systematic strategies to outperform, without the exogenous risks of high volatility environments.

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