

## Highlights

- The *Blue Orbit* Global Small Caps Systematic Alpha Fund had a second strong month of performance, generating a net return of 3.53%, outperforming the benchmark by 2.7%.
- Stock selection drove outperformance, with Avis Budget (+67.8%) again a standout, along with specialty semiconductor manufacturer Synaptics (+53.7%).
- All four Alpha Signals had strong outperformance, with Quality the best at +3.4%, and Value the weakest at +2.0%. Year to date the Value, Quality and Trend Alpha Signals have each outperformed by more than 12%.

As at 30 November 2021	1 Month	3 Month	6 Months	1 Year	Since Inception
Blue Orbit Global Small Cap Systematic Alpha Fund <sup>1</sup>	3.53%				5.99%
Benchmark <sup>3</sup>	0.81%				0.91%
Excess Return	2.72%				5.08%

1. Returns shown are Net of Fees.

2. Fund inception Date is 5<sup>th</sup> October 2021.

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

## Performance Commentary

Following a flat month in October, the Benchmark rallied hard during mid-November to reach +5.5% (in AUD), before news of the Omicron COVID variant brought markets down in the last few days of the month. The Australian dollar reversed its strong October returns, falling 6.0% against the Yen and 3.8% against the US Dollar, providing a buffer for Australian investors. Large sector dispersion saw Energy (-3.2%) and Health Care (-3.7%) weak compared to Real Estate (+2.8%) and Utilities (+2.4%).

Good stock selection drove Fund outperformance against the Benchmark, particularly within Information Technology, Industrials, and Health Care. All GICS sectors contributed positively to fund outperformance, with the small cash holding a very small detractor. The Fund's underweight position to Japan helped, although the underweight to Israel was a small detractor. The largest quintile of stocks was again the best performer (+1.0%), with the Fund's size tilt a good contributor.

Avis Budget jumped 108% on November 2nd, following updated earnings guidance and announcing further electrification of the fleet, followed by some profit taking. Synaptics had another good month following strong 3Q earnings. Williams-Sonoma (+11.1%), Lattice Semiconductor (+15.8%) and AMN Healthcare (+22.4%) were good contributors. The only significant stock-level detractor was German radiology and oncology device manufacturer Eckert & Ziegler Strahlen-und Medizintechnik (-23.0%), which detracted 8bp.

# Global Small Caps Systematic Alpha Strategy

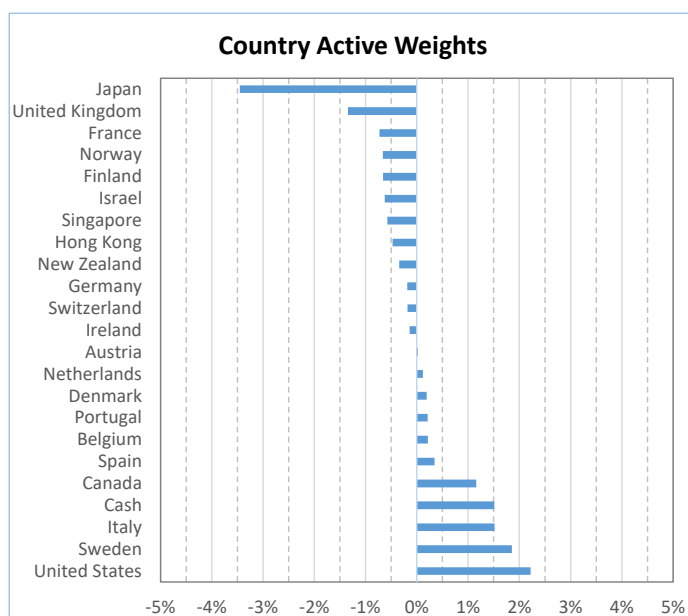
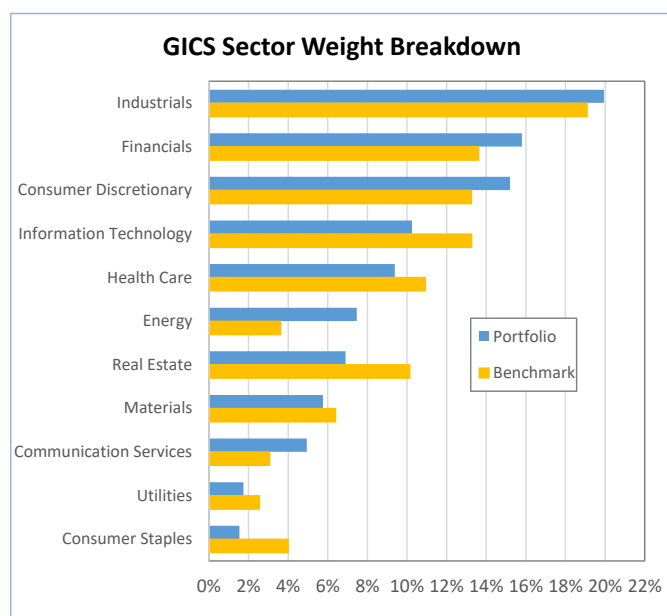
## Monthly Performance Report as at 30 November 2021



### Strategy Characteristics

Characteristics	Portfolio	Benchmark
Number of securities	272	4215
Market Capitalization	10,633	6,989
Active Share	86.1	0.0
Dividend Yield	1.4	1.5
Price/Earnings	12.1	15.3
P/E using FY1 Est	11.8	15.3
Price/Cash Flow	10.8	11.6
Price/Book	2.6	0.4
ROA	6.7	2.0
ROE	13.5	4.3
LT Debt to Capital	39.3	36.5

Top 10 Holdings	Portfolio	Benchmark	Active
Williams-Sonoma, Inc.	1.85%	0.19%	1.66%
Avis Budget Group, Inc.	1.68%	0.18%	1.50%
Dick's Sporting Goods, Inc.	1.60%	0.10%	1.51%
AutoNation, Inc.	1.44%	0.08%	1.36%
Synaptics Incorporated	1.41%	0.12%	1.29%
Bill.com Holdings, Inc.	1.30%	0.25%	1.05%
Targa Resources Corp.	1.21%	0.13%	1.07%
AB Sagax Class B	1.19%	0.07%	1.12%
Lattice Semiconductor Corporation	1.18%	0.13%	1.04%
AMN Healthcare Services, Inc.	1.15%	0.07%	1.08%



### Sector Attribution

Sector Attribution	Global Small Systematic			Benchmark			Attribution			Total
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation	Selection + Interaction	Currency	
Information Technology	10.20%	10.86%	1.03%	13.19%	2.06%	0.26%	-0.03%	0.83%	0.00%	0.80%
Industrials	18.88%	6.38%	1.20%	19.10%	2.22%	0.39%	-0.01%	0.75%	0.04%	0.77%
Health Care	9.75%	1.11%	0.12%	11.13%	-3.66%	-0.36%	0.07%	0.52%	-0.07%	0.52%
Consumer Discretionary	15.40%	3.91%	0.63%	13.34%	1.39%	0.17%	0.01%	0.36%	0.04%	0.41%
Communication Services	5.01%	5.04%	0.25%	3.11%	-2.21%	-0.06%	-0.05%	0.36%	-0.01%	0.30%
Materials	5.91%	4.38%	0.26%	6.34%	2.13%	0.12%	-0.01%	0.09%	0.05%	0.14%
Consumer Staples	1.36%	4.21%	0.05%	4.02%	-1.10%	-0.04%	0.05%	0.07%	0.01%	0.13%
Financials	16.27%	1.47%	0.28%	13.64%	0.89%	0.12%	0.00%	0.04%	0.06%	0.10%
Real Estate	6.76%	4.65%	0.29%	9.94%	2.80%	0.26%	-0.06%	0.20%	-0.07%	0.07%
Energy	7.34%	-0.61%	-0.02%	3.70%	-3.23%	-0.11%	-0.14%	0.16%	0.03%	0.05%
Utilities	1.94%	2.90%	0.06%	2.48%	2.39%	0.06%	-0.01%	0.02%	0.01%	0.02%
Cash	1.18%	-3.01%	-0.03%	0.00%	0.00%	0.00%	0.07%	0.00%	-0.08%	-0.01%
<b>Total</b>	<b>100%</b>	<b>4.11%</b>	<b>4.11%</b>	<b>100%</b>	<b>0.81%</b>	<b>0.81%</b>	<b>-0.11%</b>	<b>3.40%</b>	<b>0.01%</b>	<b>3.30%</b>

## Stock Attribution

Stock Attribution	Global Small Systematic			S&P/ ASX Small Ordinaries			Attribution
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Total Effect
<b>Total</b>	100%	4.07%	4.07%	100%	0.81%	0.81%	3.26%
<b>Top 5</b>							
Avis Budget Group, Inc.	1.67%	67.83%	0.75%	0.17%	67.83%	0.07%	0.67%
Synaptics Incorporated	1.24%	53.66%	0.50%	0.10%	53.66%	0.04%	0.46%
AMN Healthcare Services, Inc.	1.09%	22.36%	0.21%	0.06%	22.36%	0.01%	0.19%
Williams-Sonoma, Inc.	1.92%	11.13%	0.21%	0.19%	11.13%	0.02%	0.17%
Lattice Semiconductor Corporation	1.21%	15.83%	0.18%	0.13%	15.83%	0.02%	0.15%
<b>Bottom 5</b>							
Kindred Group plc Shs Swedish Depository Receipts	0.44%	-14.11%	-0.07%	0.03%	-14.11%	-0.01%	-0.07%
Jefferies Financial Group Inc.	0.91%	-7.05%	-0.07%	0.10%	-7.05%	-0.01%	-0.07%
InMode Ltd.	0.49%	-15.02%	-0.07%	0.05%	-15.02%	-0.01%	-0.07%
Teradata Corporation	0.38%	-18.68%	-0.07%	0.06%	-18.68%	-0.01%	-0.06%
Eckert & Ziegler Strahlen- und Medizintechnik	0.34%	-22.98%	-0.08%	0.02%	-22.98%	-0.01%	-0.08%

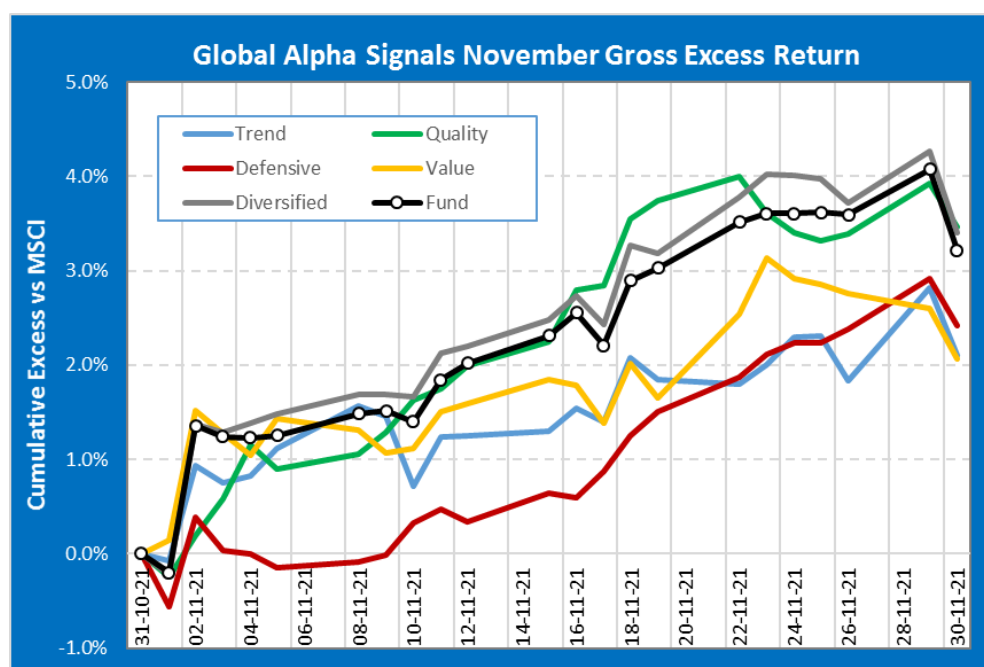
## Alpha Signal Attribution

The Blue *Orbit* Systematic Alpha process is built from four 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 the main alpha input to construct the Strategy portfolio.

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

Alpha Signal Returns (AUD)	1 Month Return	1 Month Excess	CYTD * Return	CYTD * Excess
Benchmark	0.81%		21.63%	
Defensive Alpha Signal	3.23%	2.42%	27.04%	5.41%
Quality Alpha Signal	4.29%	3.48%	34.73%	13.10%
Trend Alpha Signal	2.88%	2.08%	33.85%	12.22%
Value Alpha Signal	2.88%	2.07%	36.64%	15.01%
Diversified Alpha Signal	4.26%	3.46%	35.81%	14.18%



The above chart shows excess cumulative Alpha Signal performance for November. All Signals outperformed over the month, with Quality particularly strong. Despite their divergent performance intra-month, Value, Defensive and Trend ended the month with similar excess returns of around +2% over Benchmark.

### Defensive Alpha Signal

The Defensive Alpha Signal focuses on holding a combination of lower volatility and stable dividend paying stocks to minimise drawdowns in falling markets. With markets climbing at the start of the month, returns were flat against the Benchmark, however with volatility spiking in late November and returns falling in total terms, the Signal outperformed in this environment. Stock selection was the key driver of outperformance for Defensive Alpha, particularly within Industrials, Healthcare and Info Tech names.

### Quality Alpha Signal

Quality Alpha was the strongest signal performer again in November, with its focus on cash flows and profitability outperforming in a volatile market. Stock selection drove returns, with positive stock selection across 10 of 11 GICS sectors. Consumer discretionary and IT were the top outperforming sectors for Quality Alpha, with key overweights to Williams Sonoma (+11.1%), Signet Jewellers (+15.4%), Synaptics Incorporated (+53.7%) and Lattice Semiconductor (+15.8%) among the key contributors.

### Trend Alpha Signal

The Trend Alpha Signal has continued its strong run, outperforming the Benchmark by over 2% in November. Trend's excess performance again came from good stock selection within Industrials and IT. An underweight to Japanese equities added value, with this market underperforming North American and European markets. The large overweight position in Avis Budget also contributed, with Avis rallying 68% in November.

### Value Alpha Signal

Value Alpha recovered from its weak October performance, to outperform the Benchmark by 2% in November. For the Value Alpha Signal, the allocation to cheaper stocks created half of the excess return. Good stock selection in the Consumer Retailing Industry Group, and bigger overweight to Avis Budget, generated most of the remainder.

### Diversified Alpha Signal

The Diversified Signal outperformed the simple average of the four underlying Alpha Signals over the month. With all four Signals outperforming, the conviction upweighting (where stocks overweight in multiple signals are additionally upweighted) added a further 89bps over the Alpha Signals. Across the entire benchmark, the average return of the 2,720 stocks not held in any of the Alpha Signals was -1.1%, and for stocks held in 3 or 4 Alpha Signals the average return was nearly 4.5%.

Stock selection within the US was the key contributor to Diversified Alpha outperformance, with the key Signal overweights in Avis Budget, Synaptics Inc, Williams-Sonoma and Signet Jewellers adding more than 1% over the Benchmark.

### Conclusion

November built on the strong first month for the Blue Orbit Global Small Cap Systematic Alpha Fund, with another strong outperformance over its Benchmark. Quality has continued its recent strong run of outperformance, however in an accommodative market environment we have seen all four signals outperform. The emergence of the new Omicron variant, accelerated easing of central bank stimulus and rising inflation fears point to a period of potentially elevated volatility in global markets.

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