

## Fund performance

Global markets ended the month of September lower, with the impending US election and worsening global COVID infection leading market volatility higher as the month progressed.

In the US, all major indices finished lower, however tech stocks were the hardest hit in the sell offs. The S&P 500 ended down -3.9%, while the NASDAQ closed over -5% lower. Small cap stocks declined in line with their larger cap counterparts, with the Russell 2000 down -3.3%.

European equities followed the US lower, with the STOXX 600 down -1.4%, and FTSE 100 down -1.5%. European COVID infections have been increasing leading into the northern winter, seeing many countries begin reimposing some restrictions, and considering localised lockdowns to keep numbers contained.

In Australia, the negative global sentiment pushed local markets lower, despite some positive economic data releases. The S&P/ASX 100 Index dropped -3.7%, while the Small Ordinaries Index dropped only -2.8%. Building approvals, unemployment rates and retail sales data releases were stronger than expected, however the YoY fall in GDP was larger than anticipated. The Federal Government's relaxing of responsible lending obligations saw the banks rally strongly in the latter part of the month. The AUD weakened in September after five straight months of gains, dropping -3% against the USD.

Within Australian small cap stocks, the Financials (-9%) and Information technology sectors (-6.5%) were sold off heavily, following overseas leads. Energy stocks (+2.7%) outperformed, driven up by strong performance in coal stocks Whitehaven Coal (+12.4%) and New Hope Corporation (+8%).

The *Blue Orbit* Australian Small Caps Systematic Alpha Fund returned -2.99% in September, slightly underperforming its benchmark (S&P/ASX Small Ordinaries Accumulation index) which returned -2.82%.

As at 30 September 2020	1 Month	3 Month	FYTD	1 Year	Since Inception <sup>2</sup>
Blue Orbit Australian Small Cap Systematic Alpha Fund <sup>1</sup>	-2.99%	6.13%	6.13%		-10.20%
Benchmark <sup>3</sup>	-2.82%	5.67%	5.67%		-2.20%
Excess Return	-0.18%	0.45%	0.45%		-8.00%

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)	\$1,670,171
NAV unit price (Mid)	\$0.8870
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	104	201	Harvey Norman Holdings Ltd	3.18%	1.47%
Market Capitalization	2,605	2,119	Regis Resources Limited	3.14%	1.20%
Active Share	51.3	0.0	Codan Limited	3.11%	0.62%
Dividend Yield	3.4	2.9	Netwealth Group Ltd.	2.98%	0.63%
Price/Earnings	18.1	17.5	Premier Investments Limited	2.71%	0.97%
P/E using FY1 Est	14.7	17.4	Super Retail Group Limited	2.68%	0.80%
Price/Cash Flow	10.8	10.6	Mineral Resources Limited	2.58%	1.95%
Price/Book	2.0	1.6	Data#3 Limited.	2.50%	0.48%
ROE	17.2	9.0	Technology One Limited	2.39%	1.01%
LT Debt to Capital	21.5	22.2	Collins Foods Limited	2.29%	0.53%

# Australian Small Caps Systematic Alpha Fund (Wholesale)

## Monthly Performance Report as at 30 September 2020

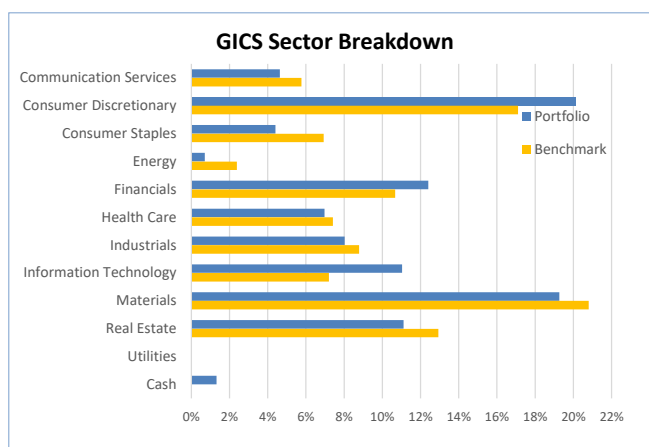


### Five Largest Overweight Positions

Security	Portfolio	Benchmark	Active
Codan Limited	3.11%	0.62%	2.49%
Netwealth Group Ltd.	2.98%	0.63%	2.35%
Data#3 Limited.	2.50%	0.48%	2.02%
Regis Resources Limited	3.14%	1.20%	1.93%
Super Retail Group Limited	2.68%	0.80%	1.89%

### Five Largest Underweight Positions

Security	Portfolio	Benchmark	Active
CSR Limited	0.00%	0.98%	-0.98%
Megaport Ltd.	0.00%	1.06%	-1.06%
Shopping Centres Aust. Property Group Ltd.	0.00%	1.08%	-1.08%
Steadfast Group Limited	0.14%	1.31%	-1.17%
IDP Education Ltd.	0.00%	1.50%	-1.50%



## 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	-2.82%				
Defensive Alpha Signal	-2.16%	0.66%	0.65%	4.86%	0.13
Quality Alpha Signal	-1.32%	1.50%	6.49%	6.74%	0.94
Trend Alpha Signal	-3.50%	-0.68%	2.01%	6.24%	0.32
Value Alpha Signal	-0.76%	2.06%	-0.65%	7.38%	-0.09
Diversified Alpha Signal	-2.32%	0.50%	1.75%	3.40%	0.50
Systematic Alpha Portfolio (Model)	-2.50%	0.32%	-3.48%	4.63%	-0.74
Blue Orbit Australian Small Caps Systematic Alpha Fund*	-2.93%	-0.11%	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 30 September 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
Financials	12.06%	-2.89%	-0.38%	10.85%	-8.94%	-1.02%	-0.06%	0.76%	0.70%
Information Technology	11.92%	-1.34%	-0.20%	8.04%	-6.48%	-0.60%	-0.14%	0.63%	0.49%
Consumer Discretionary	19.79%	0.37%	0.07%	16.61%	0.83%	0.13%	0.12%	-0.10%	0.03%
Utilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Communication Services	4.30%	0.58%	0.04%	5.04%	0.93%	0.03%	-0.02%	0.00%	-0.02%
Health Care	7.42%	-2.81%	-0.27%	8.60%	-2.46%	-0.26%	0.03%	-0.06%	-0.03%
Energy	0.73%	-2.53%	-0.05%	2.36%	2.67%	0.06%	-0.09%	-0.06%	-0.14%
Consumer Staples	4.62%	-6.30%	-0.30%	7.18%	-3.11%	-0.23%	0.01%	-0.15%	-0.14%
Real Estate	11.02%	-2.49%	-0.28%	12.74%	-0.68%	-0.08%	-0.04%	-0.19%	-0.24%
Materials	19.74%	-5.26%	-1.07%	21.21%	-3.61%	-0.79%	0.02%	-0.34%	-0.32%
Industrials	7.39%	-6.70%	-0.50%	7.36%	-1.23%	-0.07%	-0.02%	-0.42%	-0.44%
Cash	1.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	0.02%
<b>Total</b>	<b>100%</b>	<b>-2.93%</b>	<b>-2.93%</b>	<b>100%</b>	<b>-2.82%</b>	<b>-2.82%</b>	<b>-0.17%</b>	<b>0.06%</b>	<b>-0.11%</b>

### 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
<b>Total</b>	<b>100.00</b>	<b>-2.93</b>	<b>-2.93</b>	<b>100.00</b>	<b>-2.82</b>	<b>-2.82</b>	<b>-0.48</b>	<b>0.37</b>	<b>-0.11</b>
Market Cap Quintile 1 (Large)	49.27	-3.58	-1.80	37.86	-5.22	-2.00	-0.30	0.83	0.53
Market Cap Quintile 2	19.88	-0.63	-0.17	28.69	-1.68	-0.49	-0.11	0.21	0.10
Market Cap Quintile 3	16.08	-1.47	-0.24	16.45	-0.28	-0.04	-0.01	-0.20	-0.21
Market Cap Quintile 4	9.71	-5.73	-0.57	10.99	-2.10	-0.25	-0.00	-0.36	-0.37
Market Cap Quintile 5 (Small)	3.68	-2.54	-0.07	5.70	-0.20	-0.01	-0.05	-0.07	-0.13
Cash	1.01	-0.00	-0.00	--	--	--	0.02	--	0.02

### 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
<b>Top 5</b>							
Netwealth Group Ltd.	2.86%	8.43%	0.22%	0.61%	8.43%	0.05%	0.24%
Premier Investments Limited	2.49%	8.67%	0.21%	0.90%	8.67%	0.08%	0.18%
Data#3 Limited.	2.32%	6.40%	0.14%	0.46%	6.41%	0.03%	0.17%
De Grey Mining Ltd	0.00%	0.00%	0.00%	0.26%	-21.61%	-0.16%	0.15%
Codan Limited	3.20%	2.37%	0.08%	0.62%	2.32%	0.01%	0.13%
<b>Bottom 5</b>							
Clinuvel Pharmaceuticals Limited	0.04%	-2.51%	-0.03%	0.47%	12.26%	0.06%	-0.08%
Corporate Travel Management Limited	0.00%	0.00%	0.00%	0.67%	10.91%	0.08%	-0.11%
Mcmillan Shakespeare Limited	1.56%	-11.24%	-0.19%	0.30%	-11.24%	-0.04%	-0.11%
Unibail-Rodamco-Westfield SE	0.95%	-27.01%	-0.27%	0.35%	-26.89%	-0.10%	-0.16%
CSR Limited	0.00%	-3.81%	0.00%	0.93%	16.67%	0.14%	-0.17%

### Performance Commentary

#### Defensive Alpha Signal

The Defensive Alpha Signal outperformed the Benchmark by 0.66% in September. As expected, the signal outperformed in the down market environment, with both sector and stock allocations adding value.

Stock selection within Consumer Discretionary was the largest contributor to outperformance, with the signal benefiting from its overweight to well-performing retail names, such as Harvey Norman (+2.5%) and Premier Investments (+8.7%). The signal's underweight to Information Technology names also added value, together with its overweight in strongly performing energy names Whitehaven Coal and New Hope corporation.

#### Quality Alpha Signal

The Quality Alpha Signal outperformed the Benchmark, with an excess return of +1.5% in September. The growth tilt of our Quality Alpha signal generally sees this outperform in a rising market environment; however the Quality signal outperformed despite the market selloff due to strong stock selection within most market sectors.

Most of the outperformance (over 1%) was driven by the signal's underweight to the poorly performing Financials sector, and good stock selection within that sector. The signal did not hold Zip Co (-32.6%), IOOF Holdings (-26%) or Virgin Money UK (-15.4%).

Despite the signal's overweight to Information Technology stocks detracting, stock selection within this sector added significant value, with the signal overweight in Data#3 Ltd (+6.4%) and Technology One (-1.7%).

#### Trend Alpha Signal

The Trend Alpha Signal underperformed in September, with a total return of -3.5% seeing it finish -0.68% below the Benchmark.

The signal's underperformance was primarily due to stock selection within Materials and Consumer Discretionary sectors, with a large overweight in Mineral Resources (-14.6%) a key detractor. The signal also did not hold CSR Limited (+16.7%) and was overweight in PointsBet Holdings (-12.9%). An overweight in Zip Co Ltd also detracted, as the stock fell -32.6% over the month.

#### Diversified Alpha Signal

The Diversified Alpha signal outperformed in September, with an excess return of +0.50% over the Benchmark.

The outperformance of the Quality and Defensive signals was partially offset by the underperformance in the Trend signal over the month.

Stock selection within Financials and IT was the largest contributor, with underweights in Virgin Money UK (-15.4%), Zip Co (-32.6%) and EML Payments (-16.4%) adding value.

#### Value Alpha Signal

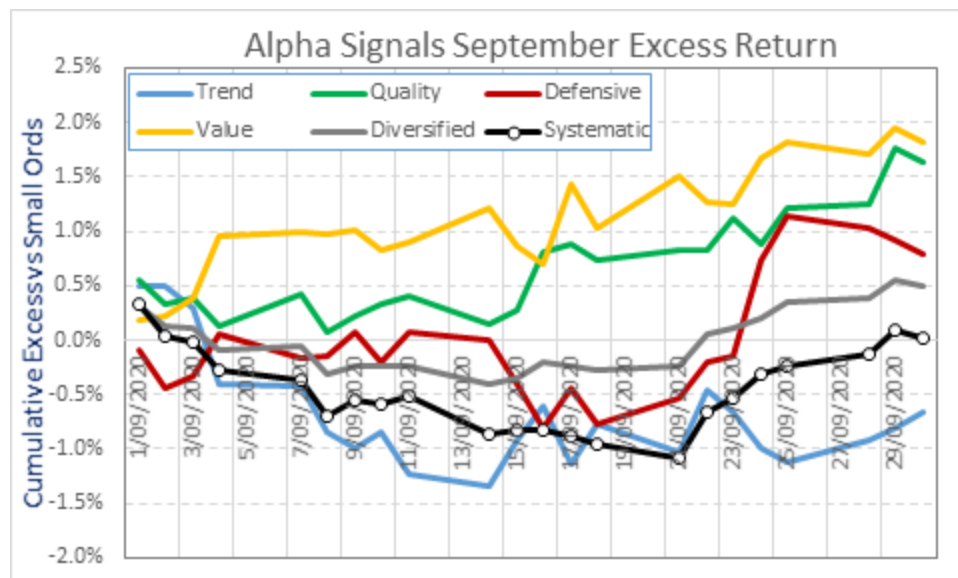
The Value Alpha Signal was not in the model as at the end of September, but is managed as a paper portfolio in FactSet.

The Value Alpha Signal had a strong month, returning -0.76% for an outperformance of over 2% over the Benchmark.

Underweights to poorly performing Financials and Information Technology stocks added value, with the signal not holding Zip Co (-32.6%) and underweight IOOF Holdings (-26%). The signal also benefited from stock selection within Consumer Discretionary, with overweights to Skycity Entertainment (+21.2%), and Ardent Leisure (+31.8%).

### Systematic Model versus Diversified Alpha Signal

The Systematic Model underperformed the Diversified Alpha Signal by -0.17% in September, and outperformed the Benchmark by +0.3%.



The chart above shows cumulative excess signal performance over the month of September. The strong run of Value Alpha persisted over the full month, followed by Quality Alpha. Defensive and Trend both had a volatile month, however improved into month end- which translated into the Systematic Model paring its earlier losses to finish fairly flat for the month.

### Blue Orbit Systematic Alpha Fund Performance

The Fund returned a gross performance of -2.93% in September, a slight underperformance against its Benchmark of -0.11%.

Strong stock selection within Financials and Information Technology added value, despite the negative impact of the overweight sector allocations. The Fund benefited from its overweights to Netwealth Group (+8.4%), Janus Henderson Group (+4.3%), Data#3 Ltd (+6.4%) and Codan Limited (+2.3%). This was offset by overweights to poorly performing Unibail Rodamco-Westfield (-26.9%), McMillan Shakespeare Ltd (-11.2%) and Champion Iron Ltd (-5.8%).

The Fund's size tilt also detracted value, through its overweight to the larger capitalisation stocks within the Benchmark. The largest quintile of stocks underperformed significantly in September, while the smallest quintile of stocks was the strongest performer.

### Conclusion

September saw Value rebound as the markets corrected. As well as the strong outperformance of our Value Alpha signal, naïve value factors saw solid outperformance also, with both Naïve P/E and dividend yields outperforming by more than 2% over the Benchmark. Smaller capitalisation stocks also outperformed their larger cap counterparts with naïve Equal Weight factor adding 0.14% over the Benchmark.

Although this is the market environment where the systematic process would generally be expected to underperform, the strong stock selection outperformance within the Quality Alpha signal added significant value, and led to the Fund finishing almost flat for September.

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