

# Global Small Caps Systematic Alpha Fund

## Monthly Performance Report as at 30 November 2021



### 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%.

Net Performance as at 30 November 2021	1 Month <sup>1</sup>	3 Month	6 Months	1 Year	Since Inception <sup>1</sup>
Blue Orbit Global Small Cap Systematic Alpha Fund	3.53%				5.99%
Benchmark <sup>2</sup>	0.81%				0.91%
Excess Return	2.72%				5.08%

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

2. 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%).

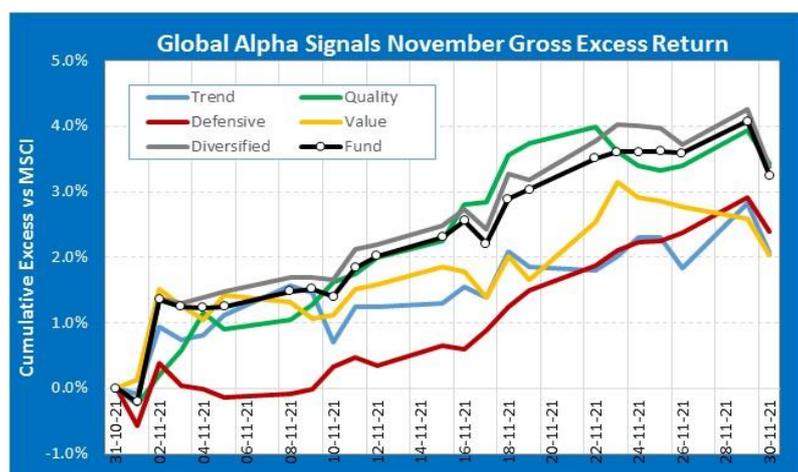
Good stock selection drove Fund outperformance against the Benchmark, particularly within Information Technology, Industrials, and Health Care. The Fund's underweight position to Japan helped, although the underweight to Israel was a small detractor. The largest quintile of stocks was again the best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

Avis Budget jumped 108% on November 2<sup>nd</sup>, 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.

### Signal Performance

Alpha Signal Returns as at 30 November 2021	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 Alpha Signals are theoretical, paper strategies only. Performance numbers are gross returns and calculated in FactSet. Alpha Signal inception date was 31 December 2020.



In US dollars, the Benchmark was very weak, down 4.8%. This provided a good platform for the Quality and Defensive Alpha Signals to outperform. Half of Quality's outperformance came from good stock selection in IT and Consumer Discretionary. Defensive Alpha's good performance was mostly in the second half of the month, and within Industrials and Health Care.

Trend's excess performance again came from good stock selection within Industrials and IT. Alpha Trend's underweight to Japan was a small contributor. The large overweight position in Avis Budget also helped.

For the Value Alpha Signal, the allocation to cheaper stocks created half of the 2.1% excess return. Good stock selection in the Consumer Retailing Industry Group, and bigger overweight to Avis Budget, generated most of the remainder.

MSCI World ex AU Small Cap Value beat the benchmark by 0.56%, with the growth version underperforming by 0.60%.

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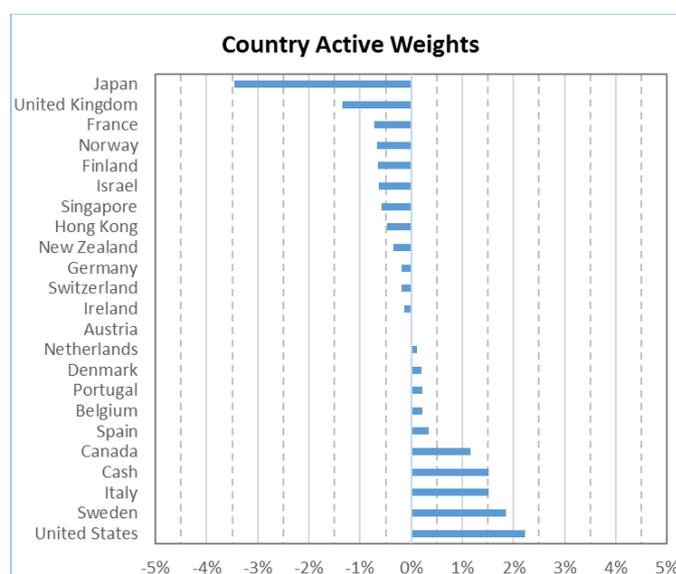
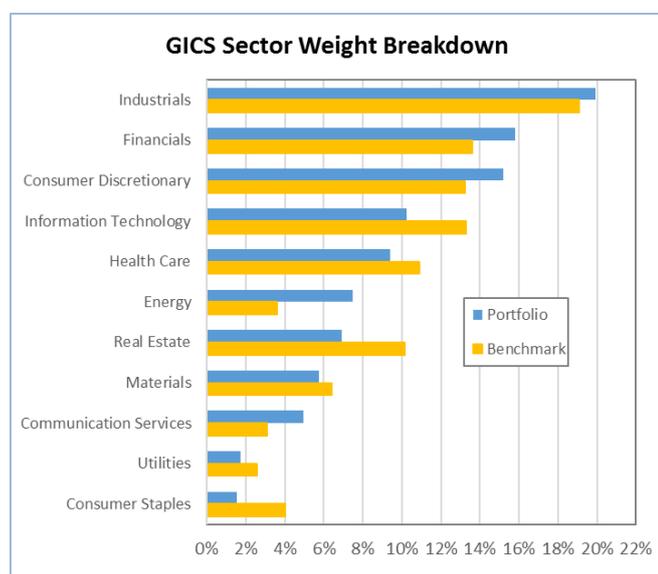
The construction of the Diversified Alpha Signal added a further 89bps over the Alpha Signals. Across the entire benchmark, the average return of the 2,720 stocks not held in any of the Alpha Signals was -1.1%, and for stocks held in 3 or 4 Alpha Signals the average return was nearly 4.5%.

### Strategy Characteristics

The strategy aims to hold 250-350 names, is benchmark aware with a tracking error range of 4-6%, with active weight controls applied to stocks, sectors and countries.

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%



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