

Global Small Caps Systematic Alpha Fund

Monthly Performance Report as at 31 December 2021



Highlights

- Following two strong months of outperformance, the *Blue Orbit* Global Small Caps Systematic Alpha Fund underperformed the Benchmark in December by 1.2%, returning -0.21%.
- The Defensive and Value Signals posted modest outperformance in a volatile market. Trend was the weakest Alpha Signal for the month, underperforming by more than 1.5%.
- For the calendar year 2021 (which includes both the live and paper portfolio), all four Signals have outperformed despite a strong Benchmark performance of 23.5%. Value led the way outperforming by +15.4% followed by Quality (+12.3%), Trend (+9.2%) and Defensive (+4.1%).

As at 30 December 2021	1 Month	3 Month	6 Months	1 Year	Since Inception
Blue Orbit Global Small Cap Systematic Alpha Fund ¹	-0.21%				5.77%
Benchmark ³	1.03%				1.95%
Excess Return	-1.24%				3.82%

1. Fund inception Date is 5th October 2021.

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

Performance Commentary

Market volatility returned at the end of November as the Omicron COVID variant spread worldwide. In early December the VIX Volatility index spiked above 30 for the first time since January, and remained at elevated levels for most of the month. Following a weak November, the Australian dollar slowly climbed +2.5% against the USD, with similar returns against the Euro and Yen. Defensive sectors performed well, particularly Real Estate (+3.7%) and Utilities (+2.7%), with Consumer Discretionary (-0.6%) and Communication Services (-0.7%) weak.

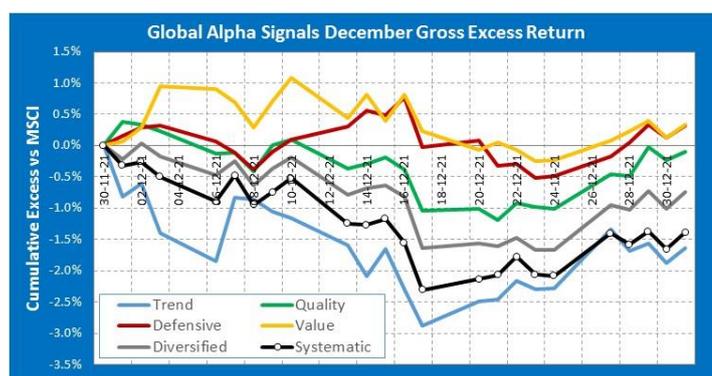
Stock level profit selling drove the weak relative Fund performance, with the 6 biggest detractors all among the best performers over the previous two months. Consumer Discretionary stocks were sold down, including Williams-Sonoma (-15.3%), Signet Jewelers (-12.6%), Macy's (-10.1%) and Crocs (-23.4%). Transportation stocks Mitsui O.S.K.Lines (+26.3%) and Kawasaki Kisen Kaisha (+36.6%) were among the best performers, although Avis Budget (-26.4%) was a big detractor. Within Health Care, diagnostic test provider Quidel shipped 77 million rapid immunoassay tests during Q4, only to see its share price fall 10.8%. Country allocation was a modest contributor, particularly from Japan and Sweden, while the underweight to United Kingdom was a small detractor.

Stocks that were elevated from MSCI World Small Caps to MSCI World at the November index rebalance performed quite poorly, contributing over a third of the underperformance. This group includes Bill.com (-13.5%), AB Sagax (-15.6%), Open House (-10.1%) and Benefit One (-10.8%), along with TFI International (+11.0%), Lifco AB (+7.9%) and Bachem (+6.8%). Generally, stocks elevated to the large cap indices see outperformance on average, helped by index fund purchases.

Signal Performance

Alpha Signal Returns (AUD)	1 Month Return	1 Month Excess	1 Year Return	1 Year Excess
Benchmark	1.03%		22.78%	
Defensive Alpha Signal	1.42%	0.39%	28.71%	5.93%
Quality Alpha Signal	0.98%	-0.05%	35.89%	13.11%
Trend Alpha Signal	-0.65%	-1.68%	32.83%	10.04%
Value Alpha Signal	1.41%	0.38%	38.39%	15.61%
Diversified Alpha Signal	0.31%	-0.72%	36.07%	13.28%

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.



The Defensive and Value Alpha Signals are built very differently, but their return profiles were quite similar in December. Value benefited from the overweight to Materials and underweight to IT, while Quality's positive return came from an overweight to Real Estate, and good stock selection within Health Care.

Trend's strong recent performance turned in December, as recent winners in Consumer Discretionary, Industrials, IT and Financials sectors were sold down heavily. Trend's first two weeks were very weak, but then rallied.

Other than the first few days, Quality's month paralleled Trend. Quality had very good stock selection in both IT and Industrials, but lost that performance from a few stocks in Consumer Discretionary.

In a quiet month, MSCI World ex AU Small Cap Value beat the benchmark by 0.07%, with the growth version underperforming by 0.07%.

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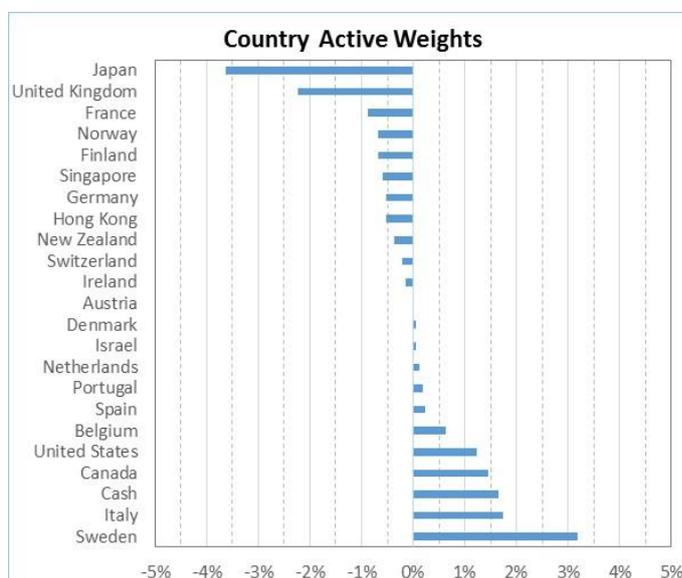
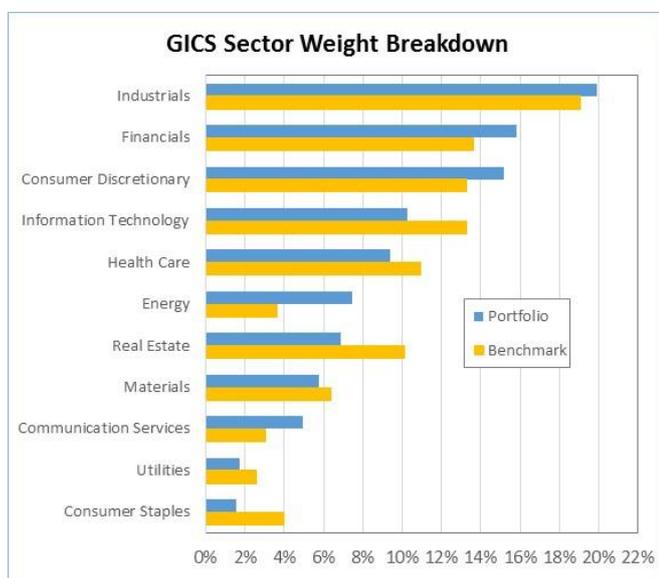


The construction of the Diversified Alpha Signal detracted 47bps from the Alpha Signals, losing about half of the advantage from last month. The underperformance of the Fund relative to Diversified was mostly from stocks elevated to the Large cap Indices, but also from the Fund having more of a tilt toward the larger stocks than Diversified.

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	Top 10 Holdings	Portfolio	Benchmark	Active
Number of securities	281	4350	Targa Resources Corp.	1.69%	0.13%	1.56%
Market Capitalization	10,317	6,583	Credit Acceptance Corporation	1.54%	0.07%	1.47%
Active Share	87.6	0.0	Louisiana-Pacific Corporation	1.51%	0.09%	1.42%
Dividend Yield	1.3	1.5	Builders FirstSource, Inc.	1.47%	0.20%	1.27%
Price/Earnings	12.0	15.5	Williams-Sonoma, Inc.	1.38%	0.15%	1.23%
P/E using FY1 Est	11.9	15.7	Dick's Sporting Goods, Inc.	1.35%	0.09%	1.26%
Price/Cash Flow	10.8	11.6	Synaptics Incorporated	1.25%	0.14%	1.11%
Price/Book	2.7	2.0	AutoNation, Inc.	1.17%	0.07%	1.10%
ROA	6.8	2.2	Tetra Tech, Inc.	1.12%	0.11%	1.01%
ROE	14.8	5.1	Jones Lang LaSalle Incorporated	1.11%	0.16%	0.94%



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