

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 30 April 2022



Highlights

- In April, the **Blue Orbit** Australian Small Caps Systematic Alpha Fund outperformed- returning -0.40% against a Benchmark return of -1.50%.
- Energy was again the strongest performing sector in the Benchmark, while Information Technology stocks were sold down heavily.
- 3 out of 4 of our Alpha Signals outperformed in April, with Trend the strongest performer.

As at 30 April 2022	1 Month	3 Month	6 Months	1 Year	2 Years (Annualised)	Since Inception (Annualised) ²
Blue Orbit Australian Small Cap Systematic Alpha Fund ¹	-0.40%	3.75%	-3.78%	-1.96%	19.53%	2.95%
Benchmark ³	-1.50%	3.68%	-4.61%	2.91%	19.95%	8.38%
Excess Return	1.10%	0.07%	0.83%	-4.88%	-0.42%	-5.42%

1. Returns shown are Total Returns, Net of Fees. Returns shown for the Lead Unit Series (October 2019).

2. Inception Date is 11 October 2019.

3. Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

Performance Commentary

Global markets plummeted in April, weighed down by the ongoing war in Ukraine, COVID lockdowns in China, continued supply chain disruptions and fears of accelerated interest rate rises. The MSCI World index fell over 8% (in USD), dragged down by a similar fall in the S&P 500. Technology was sold off heavily, with the NASDAQ down over 13%. Growth underperformed, with the MSCI World Value index outperforming Growth by almost 7%.

Australian markets outperformed, with the ASX 100 down only 0.75%, and the Small Ordinaries 1.5% lower. Our market's heavy weighting to resources and energy, together with a 5% drop in the AUD, helped cushion our market from much of the global selldown.

Within the Small Caps Benchmark, Information Technology was sold down heavily, down 12.5% for the month. Financials (-4.3%) and Industrials (-2.4%) were also weak, while Energy (+9.1%) and Consumer Staples (+7.5%) were the strongest performers.

The Fund saw around half of its outperformance from its sector positioning in April. An underweight to Information Technology and an overweight to Energy added around 0.5% to relative performance. Stock selection made up the remaining outperformance, with stock selection being positive across almost all sectors in April. Key contributors for the month were the Fund's overweights to GrainCorp Limited (+21.7%), New Hope Corporation (+12.1%) and Coronado Global (+15.5%), together with the Fund not holding Megaport Limited (-37.6%), EML Payments (-46.8%) or Life360 Inc (-31.7%).

Portfolio Facts

Fund Details	
Fund Valuation (AUD)	\$2,228,937
NAV unit price (Mid)	\$1.0444
Inception date	11 October 2019
Performance benchmark	S&P/ASX Small Ordinaries Accumulation Index
Buy/sell spread	0.20%/ -0.20%
Distributions	Annually

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Portfolio Characteristics

Characteristics	Portfolio	Benchmark
Number of securities	101	198
Market Capitalization	2,821	2,530
Active Share	54.0	0.0
Dividend Yield	3.3	2.6
Price/Earnings	11.7	12.0
P/E using FY1 Est	10.1	14.1
Price/Cash Flow	8.2	10.8
Price/Book	1.8	1.9
ROE	12.9	8.2
LT Debt to Capital	24.2	22.3

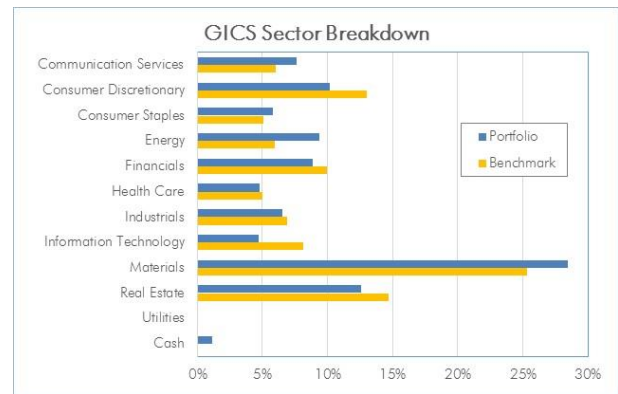
Top Ten Holdings	Portfolio	Benchmark
Coronado Global Resources	2.40%	0.70%
New Hope Corporation Limited	2.38%	0.66%
Healius Limited	2.35%	0.89%
Champion Iron Ltd.	2.27%	1.03%
Graincorp Limited Class A	2.21%	0.89%
Perseus Mining Limited	2.09%	0.92%
TPG Telecom Limited	1.92%	0.82%
Genworth Mortgage Insurance Au	1.90%	0.46%
Nufarm Limited	1.79%	0.77%
Whitehaven Coal Limited	1.75%	1.77%

Five Largest Overweight Positions

Security	Portfolio	Benchmark	Active
New Hope Corporation	2.38%	0.66%	1.72%
Coronado Global Resour	2.40%	0.70%	1.71%
Healius Limited	2.35%	0.89%	1.47%
Genworth Mortgage Insurance Au	1.90%	0.46%	1.43%
Graincorp Limited Class A	2.21%	0.89%	1.33%

Five Largest Underweight Positions

Security	Portfolio	Benchmark	Active
Link Administration Holdings Ltd.	0.00%	0.97%	-0.97%
National Storage REIT	0.00%	1.06%	-1.06%
Seven Group Holdings Limited	0.00%	1.17%	-1.17%
Charter Hall Long WALE REIT	0.00%	1.23%	-1.23%
Uniti Group Ltd.	0.00%	1.28%	-1.28%



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
Communication Services	7.51%	-1.51%	-0.12%	5.94%	-0.30%	-0.02%	0.02%	-0.09%	-0.07%
Consumer Discretionary	12.00%	-4.80%	-0.62%	12.79%	-1.43%	-0.20%	-0.01%	-0.42%	-0.43%
Consumer Staples	5.60%	10.82%	0.58%	4.84%	7.52%	0.35%	0.07%	0.18%	0.24%
Energy	7.65%	10.32%	0.76%	5.67%	9.09%	0.49%	0.22%	0.08%	0.29%
Financials	7.80%	-3.00%	-0.25%	9.96%	-4.28%	-0.45%	0.06%	0.10%	0.17%
Health Care	5.29%	-0.52%	-0.04%	4.97%	-1.80%	-0.10%	0.00%	0.07%	0.07%
Industrials	7.78%	-2.36%	-0.19%	7.08%	-2.30%	-0.17%	-0.01%	0.00%	-0.01%
Information Technology	5.78%	-5.69%	-0.34%	8.70%	-12.50%	-1.14%	0.33%	0.43%	0.76%
Materials	26.10%	-1.03%	-0.22%	25.54%	-1.35%	-0.30%	0.00%	0.08%	0.08%
Real Estate	12.73%	0.85%	0.10%	14.52%	0.36%	0.04%	-0.03%	0.06%	0.03%
Utilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	1.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	0.02%
Total	100%	-0.34%	-0.34%	100%	-1.50%	-1.50%	0.68%	0.48%	1.16%

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
Total	100.00	-0.34	-0.34	100.00	-1.50	-1.50	-0.10	1.26	1.16
Market Cap Quintile 1 (Large)	40.02	-0.54	-0.19	33.76	-0.64	-0.22	0.05	0.05	0.10
Market Cap Quintile 2	25.50	1.46	0.36	26.99	-1.68	-0.44	0.00	0.80	0.80
Market Cap Quintile 3	12.93	1.45	0.17	18.83	2.04	0.36	-0.20	-0.07	-0.28
Market Cap Quintile 4	11.63	-4.04	-0.48	12.93	-6.22	-0.82	0.06	0.27	0.32
Market Cap Quintile 5 (Small)	8.18	-2.31	-0.20	7.48	-4.89	-0.37	-0.03	0.22	0.19
Cash	1.75	--	--	--	--	--	0.02	--	0.02

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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
Top 5							
Graincorp Limited Class A	2.45%	21.63%	0.48%	0.80%	21.65%	0.16%	0.35%
New Hope Corporation Limited	2.89%	11.92%	0.35%	0.65%	12.07%	0.08%	0.29%
Megaport Ltd.	0.00%	0.00%	0.00%	0.65%	-37.60%	-0.28%	0.28%
Coronado Global Resourc	2.26%	16.38%	0.35%	0.65%	15.50%	0.10%	0.27%
EML Payments Ltd.	0.00%	0.00%	0.00%	0.37%	-46.84%	-0.20%	0.19%
Bottom 5							
News Corporation Shs B Chess Depository Interest	2.56%	-5.77%	-0.16%	0.57%	-5.80%	-0.03%	-0.09%
Lovisa Holdings Ltd.	1.32%	-11.65%	-0.16%	0.38%	-11.65%	-0.05%	-0.10%
Flight Centre Travel Group Limited	0.51%	14.66%	0.07%	1.18%	14.67%	0.16%	-0.10%
NIB Holdings Ltd	0.26%	11.32%	0.03%	1.11%	11.32%	0.12%	-0.11%
Champion Iron Ltd.	3.29%	-6.29%	-0.20%	1.06%	-6.27%	-0.06%	-0.11%

Alpha Signal Attribution

The Blue Orbit Systematic Alpha Fund's construction process combines four individual underlying Alpha Signals – Defensive, Quality, Trend, and Value, developed using our proprietary internal quantitative research process. The design intention of the four signals is to ensure they will outperform in a variety of market environments through their diversified nature and low to negative correlations between each other. The Diversified Alpha Signal is the combination of the individual underlying Alpha Signals, and is the primary alpha input in the construction of the final portfolio, namely the Systematic Alpha Model (Model). This Model is the target model portfolio and determines the strategy underlying the implemented portfolio, that is, the Fund. The Model is a theoretical target, and its returns do not include fees or transaction costs.

Alpha Signal	1 Month Return	1 Month Excess	1 Year Excess Return	1 Year Tracking Error	1 Year Information Ratio	2 Year Annualised Excess Return	2 Year Annualized Tracking Error	2 Year Information Ratio
Small Ordinaries	-1.50%							
Defensive Alpha Signal	-0.03%	1.47%	2.42%	4.91%	0.47	1.53%	5.53%	0.27
Quality Alpha Signal	-1.80%	-0.30%	-3.47%	3.49%	-0.95	3.03%	4.82%	0.62
Trend Alpha Signal	1.44%	2.94%	3.34%	7.35%	0.44	9.79%	6.53%	1.47
Value Alpha Signal	0.21%	1.71%	4.33%	8.00%	0.52	8.05%	6.28%	1.25
Diversified Alpha Signal	0.17%	1.66%	0.66%	2.84%	0.22	4.67%	2.70%	1.69
Systematic Alpha Portfolio (Model)	-0.36%	1.14%	-3.21%	3.97%	-0.77	1.07%	5.18%	0.20
Blue Orbit Australian Small Caps Systematic Alpha Fund*	-0.33%	1.16%	-4.06%	4.25%	-0.92	-0.42%	5.20%	-0.08

*Fund Returns in this table are shown Gross of Fees.

The Alpha Signals returns shown are for theoretical, paper strategies only. Performance numbers are gross returns and calculated in FactSet.

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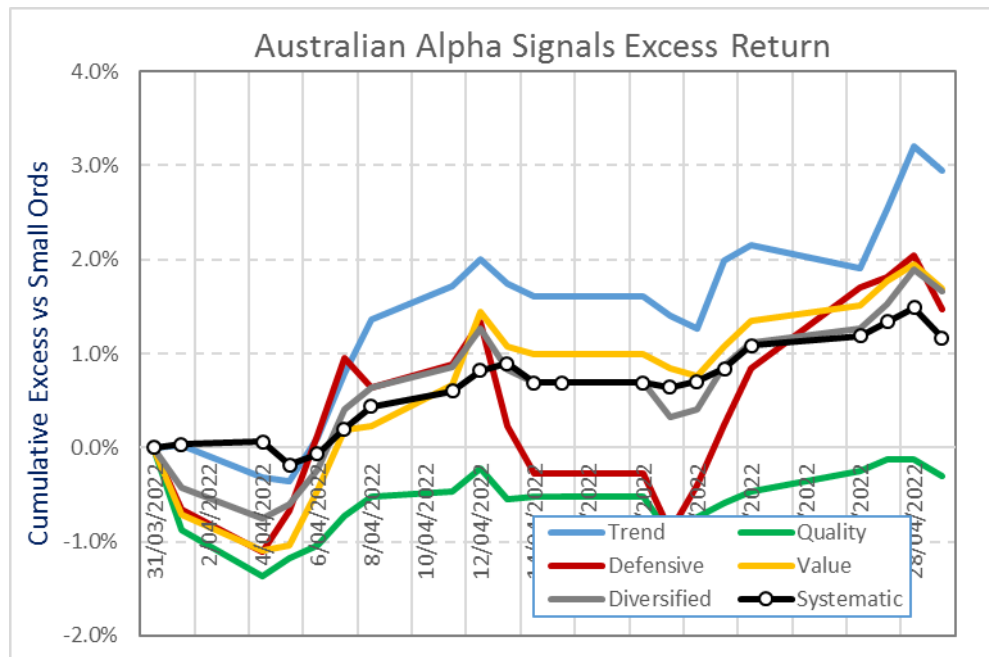


Figure 1: Cumulative Signal Performance

Figure 1 provides a summary of the relative performance of the Alpha Signals and the Fund against the Benchmark throughout the month. In April, Trend was the strongest performer for the second month in a row, while Value and Defensive posted moderate gains. Quality was the only underperforming signal for the month, but ended only -0.3% lower than the Benchmark.

Performance Commentary

Defensive Alpha Signal

As markets weakened in April, we saw the Defensive Alpha signal return to outperformance, beating the Benchmark by almost 1.5%. Dividend paying and high dividend yield stocks significantly outperformed in April, with the highest yielding group of stocks returning +0.7%, against a low yielding group return of -4.0%. Sector positioning added value, with Defensive Alpha underweight Information Technology and overweight Real Estate (+0.4%). Stock selection was the key driver of outperformance, primarily through the Signal not holding many of the worst performers, such as Megaport Ltd, Liontown Resources (-22.1%), AVZ Minerals (-19.8%), and EML Payments.

Quality Alpha Signal

The Quality Signal underperformed slightly in April. Good stock selection in Materials and Information Technology was offset by poor stock selection in Consumer Discretionary. The Signal benefited from its overweight to Coronado Global (+15.5%), together with not holding Megaport Ltd, Liontown Resources, AVZ Minerals, or EML Payments. Key detractors were the Signal not holding Flight Centre (+14.7%), while being overweight Lovisa Holdings (-11.7%), Redbubble Ltd (-26.5%), and Temple and Webster Group (-11.8%).

Trend Alpha Signal

Trend had a strong month in April, adding almost 3% over the Benchmark. Outperformance was split evenly between sector allocation and stock selection. The Signal was overweight Energy and underweight Information Technology, and also

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benefited from an underweight to Financials (-4.3%). Key contributors to performance were overweights to GrainCorp Limited, Whitehaven Coal (+18.6%), and not holding Megaport, AVZ, or EML.

Trend Alpha outperformed a naïve momentum factor by 1% in April- showing the value of the Signal's construction in this volatile market environment. Over a one year rolling period, the Trend Signal has outperformed naïve momentum by almost 5%.

Value Alpha Signal

Value performed well in April, adding +1.7% over Benchmark. Sector allocation was positive across almost all sectors, with Value similarly overweight Energy and underweight Information Technology, An overweight to Consumer Staples (+7.5%) also contributed. The majority of outperformance came from stock selection, similarly to Defensive this came through not holding many of the worst performers. The Signal did not hold Megaport, Liontown, AVZ, EML Payments or Life360. Additionally, being overweight Coronado Global and Eclix Group (+11.2%) added value.

Diversified Alpha Signal

With the majority of its underlying Signals outperforming, the Diversified Alpha Signal outperformed the Benchmark in April. The Signal benefited from the strong sector positioning of its components, being overweight Energy and Consumer Staples, and underweight Information Technology and Financials. The final Systematic Model underperformed the Diversified Alpha signal slightly over the month, with the final portfolio construction having slightly poorer stock selection across Consumer Discretionary, Materials and Financials than the Diversified Signal.

Conclusion

As global markets fell and volatility spiked in April, Australian markets benefited from their strong resources exposure and a weakening AUD. After a rough start to the year, Trend has come back strongly, while Value continues to outperform in an environment of rising inflation and interest rates. Within the Benchmark, stock return dispersion remains high- in April, there were 5 stocks returning over 15%, and 10 returning less than -15%. With volatility remaining high and uncertainty around market direction ahead, we are maintaining our portfolio positioning of maximum style diversification to navigate this environment.

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