

Global Small Caps Systematic Alpha Fund

Monthly Performance Report as at 30 April 2022



Highlights

- In April the **Blue Orbit** Global Small Caps Systematic Alpha Fund returned -1.44%, outperforming the Benchmark return of -2.63%.
- All four Alpha Signals outperformed. Defensive added 2.5% in a weak market, with Trend and Value also very strong. After several weak months the Quality Alpha Signal posted a small outperformance.
- In a strong start since launching in early October, the Fund has outperformed the benchmark 5 out of 7 months. All four Alpha Signals have outperformed since inception, with the Value and Defensive signals particularly strong.

| As at 30th April 2022 | 1 Month | 3 Month | 6 Months | 1 Year | Since Inception |
|--|---------|---------|----------|--------|-----------------|
| Blue Orbit Global Small Cap Systematic Alpha Fund ¹ | -1.44% | -5.76% | -8.24% | | -6.06% |
| Benchmark ² | -2.63% | -8.00% | -10.48% | | -10.39% |
| Excess Return | 1.19% | 2.24% | 2.24% | | 4.33% |

1. Fund inception Date is 5th October 2021. Performance for periods less than 1 year has not been annualised.
2. Benchmark is the MSCI World Ex Australia Small Caps Index (with Net Dividends reinvested) in AUD. Source: MSCI
3. Fund returns shown are Total returns, calculated from unit prices. Returns are presented net of fees. Past performance is no indication of future performance

Performance Commentary

The combination of global inflation and the continued war in Ukraine saw an increase in market volatility and weak equity returns in April. Most markets fell, with S&P500 -8.8%, NASDAQ -13.3%, FTSE100 +0.38%, DAX -2.2%, and Nikkei -3.5%. Brent Crude stayed above US\$100/bbl, with gold hovering just under US\$2000/oz. The Australian dollar fell in the second half of April, finishing down 5.3% against the US dollar. It was down 0.1% against the Euro, and rose 1.2% against the Yen.

Sector returns were again highly dispersed. Energy (+4.1%) was yet again the standout, with Consumer Staples (+2.1%) also strong, while Health Care (-8.4%) was very weak, along with Information Technology (-5.3%) and Communication Services (-5.2%). Singapore (+3.9%) and Ireland (+2.3%) were the best performing countries, while Sweden (-5.5%), Switzerland (-3.4%) and United States (-3.2%) were weak. The MSCI World ex AU Small Cap Growth index fell 4.4% for the month, while the Value variant did better, down only 1.0%.

Sector allocation was a good contributor to the Fund outperformance, with half coming from the overweight to Energy. Good stock selection within Consumer Discretionary, Health Care and Materials provided most of the outperformance. Country allocation was flat. LPL Financial (+8.7%), Reliance Steel & Aluminium (+14.3%) and Louisiana-Pacific (+9.8%) were the biggest stock contributors. PacWest Bancorp (-19.4%), Alcoa (-20.4%), and Virtu Financial (-18.0%) were the largest detractors.

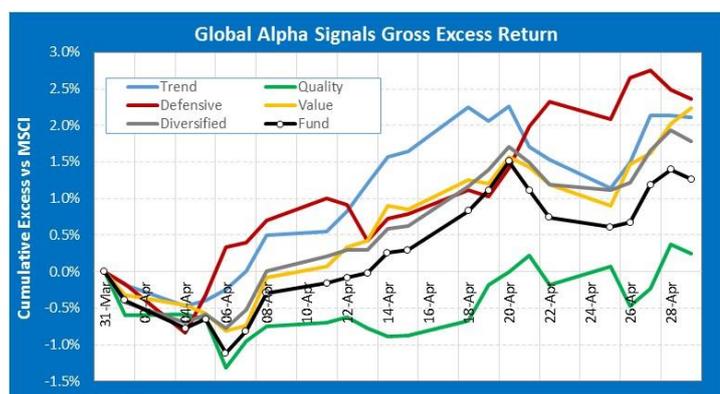
Signal Performance

| Alpha Signal Returns (AUD) | 1 Month Return | 1 Month Excess | 1 Year Return | 1 Year Excess |
|----------------------------|----------------|----------------|---------------|---------------|
| Benchmark | -2.63% | | -5.07% | |
| Defensive Alpha Signal | -0.15% | 2.48% | 4.40% | 9.48% |
| Quality Alpha Signal | -2.40% | 0.23% | -2.19% | 2.88% |
| Trend Alpha Signal | -0.41% | 2.22% | -0.97% | 4.10% |
| Value Alpha Signal | -0.29% | 2.34% | 8.15% | 13.22% |
| Diversified Alpha Signal | -0.74% | 1.89% | 3.39% | 8.46% |

The Value Alpha Signal outperformed for a sixth straight month. The overweight to Energy and underweight to Health Care were good contributors. Country allocation was also a small contributor, with only three countries detracting. The cheapest PE quintile of stocks in MSCI returned -0.3%, with negative earnings stocks -6.9%.

The Alpha Signals returns shown are for theoretical, paper strategies only. Performance numbers are gross returns and calculated in FactSet. Alpha Signal inception date was 31 December 2020

The outperformance of Trend and Defensive took similar paths. Defensive's low beta saw most of the outperformance occur when the market fell, while Trend had a beta of 1. Defensive had good stock selection within most sectors, with the underweight to Health Care also a good contributor. Trend's outperformance was split between sector allocation and stock selection, with Energy stocks strong.



The Quality Alpha Signal struggled early in the month, but picked up as Consumer Discretionary rallied later in the month. An underweight to Health Care contributed, together with good stock selection. LPL Financial and Louisiana Pacific were good stock contributors to performance.

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The Fund had a moderate underperformance against the Diversified Signal in April. The Diversified Signal benefited from a very large underweight position to the Health Care sector, compared with the Fund (which had a smaller underweight position). The Fund has active weight controls on sector limits as part of the risk management process within portfolio construction. Active exposures at the Signal level can be higher than in the Fund.

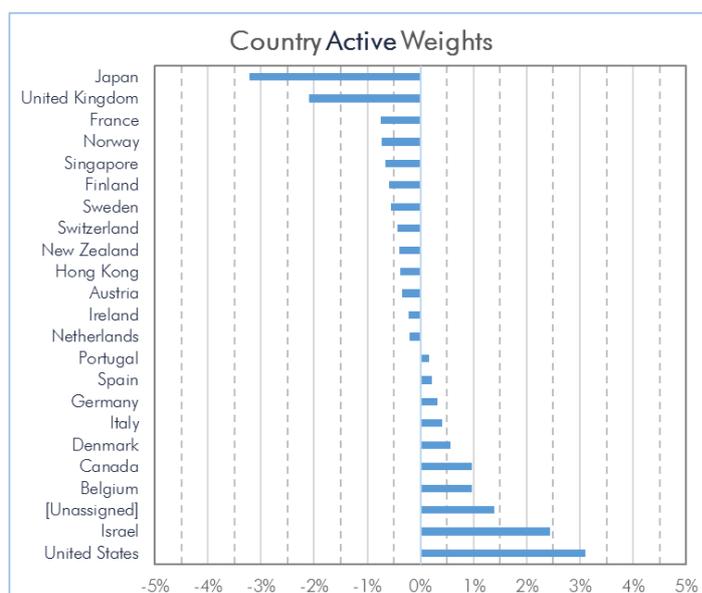
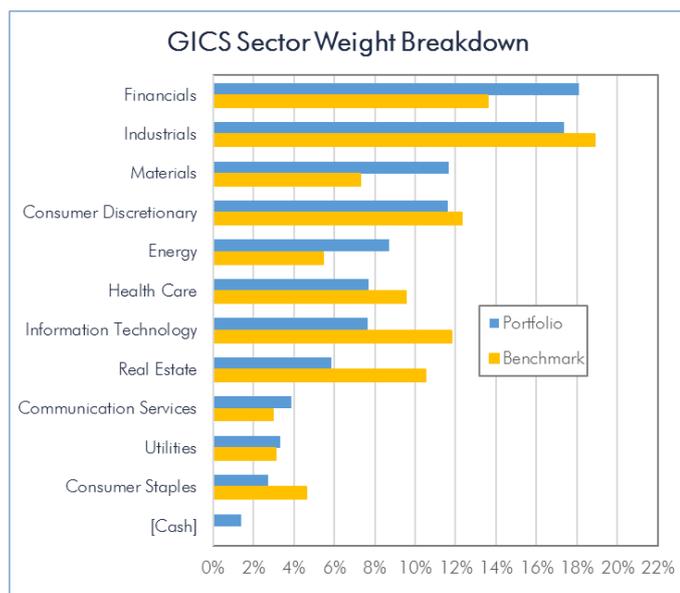
Quarterly earnings reporting season is currently underway in the US, and has been largely positive for a majority of Fund holdings. We will be looking to incorporate this new data into the Fund holdings as a part of the next regular rebalancing of the strategy.

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 | 278 | 4305 |
| Market Capitalization | 8,558 | 6,025 |
| Active Share | 85.1 | 0.0 |
| Dividend Yield | 1.9 | 1.8 |
| Price/Earnings | 8.0 | 12.8 |
| P/E using FY1 Est | 8.7 | 12.9 |
| Price/Cash Flow | 6.1 | 8.7 |
| Price/Book | 2.0 | 1.8 |
| ROA | 12.5 | 5.0 |
| ROE | 27.2 | 11.6 |
| LT Debt to Capital | 37.6 | 36.9 |

| Top 10 Holdings | Portfolio | Benchmark | Active |
|-------------------------------|-----------|-----------|--------|
| LPL Financial Holdings Inc. | 1.93% | 0.21% | 1.72% |
| Louisiana-Pacific Corporation | 1.53% | 0.08% | 1.45% |
| Reliance Steel & Aluminum Co. | 1.47% | 0.18% | 1.29% |
| Targa Resources Corp. | 1.39% | 0.23% | 1.16% |
| Builders FirstSource, Inc. | 1.36% | 0.17% | 1.19% |
| Marathon Oil Corporation | 1.29% | 0.28% | 1.02% |
| Huntsman Corporation | 1.26% | 0.10% | 1.16% |
| Atkore Inc | 1.24% | 0.06% | 1.18% |
| APA Corp. | 1.10% | 0.21% | 0.89% |
| OneMain Holdings, Inc. | 0.86% | 0.05% | 0.81% |



Disclaimer

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The Fund's Target Market Determination is available here <https://www.eqt.com.au/insto> A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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