

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 May 2022



Highlights

- In May, the **Blue Orbit** Australian Small Caps Systematic Alpha Fund performed in line with the Benchmark, returning **-6.98%**.
- **Energy** was the only positively performing sector for the month, and is now up over **40%** year to date.
- All Alpha Signals outperformed in May, with **Value** the strongest performer.

| As at 31 May 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 | -6.98% | -2.48% | -11.83% | -9.04% | 8.93% | 0.07% |
| Benchmark ³ | -7.01% | -3.59% | -11.02% | -4.56% | 9.99% | 5.16% |
| Excess Return | 0.03% | 1.10% | -0.81% | -4.48% | -1.06% | -5.08% |

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

After a poor April, global markets were largely flat in May. Concerns around inflation and interest rate rises kept market volatility elevated throughout the month.

Australian markets underperformed their global counterparts, reversing their April outperformance. Larger capitalisation stocks (ASX 100) returned -2.2%, while the Small Ordinaries fell 7% for the month.

Within the Small Caps Benchmark, Energy (+2.7%) was the strongest performer, while Consumer Discretionary (-10.9%) and Materials (-9.6%) underperformed.

The Fund benefited from good sector positioning, particularly through its overweight to Energy. Key contributors were overweights to New Hope Corporation (+5.7%), Champion Iron (-2.9%) and Coronado Global Resources (+2.7%). Stock selection within Industrials and Real Estate was a detractor, with the Fund overweight Johns Lyng Group (-32.9%), Growthpoint Properties (-11.1%) and Hotel Property Investments (-11.3%).

Portfolio Facts

| Fund Details | |
|-----------------------|---|
| Fund Valuation (AUD) | \$1,694,467 |
| NAV unit price (Mid) | \$0.9715 |
| 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 | 100 | 198 | New Hope Corporation Limited | 3.31% | 0.75% |
| Market Capitalization | 2,676 | 2,379 | Champion Iron Ltd. | 3.10% | 1.15% |
| Active Share | 51.8 | 0.0 | Healius Limited | 2.94% | 0.90% |
| Dividend Yield | 3.4 | 2.7 | Graincorp Limited Cla | 2.76% | 0.91% |
| Price/Earnings | 10.2 | 10.8 | Perseus Mining Limite | 2.68% | 1.02% |
| P/E using FY1 Est | 9.5 | 13.1 | Genworth Mortgage Insurance Australia L | 2.48% | 0.49% |
| Price/Cash Flow | 7.6 | 10.0 | Whitehaven Coal Limited | 2.48% | 2.04% |
| Price/Book | 1.7 | 1.8 | TPG Telecom Limited | 2.47% | 0.86% |
| ROE | 14.3 | 9.2 | Coronado Global Resources Inc. | 2.46% | 0.69% |
| LT Debt to Capital | 24.3 | 22.6 | Viva Energy Group Ltd. | 2.16% | 0.82% |

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 May 2022

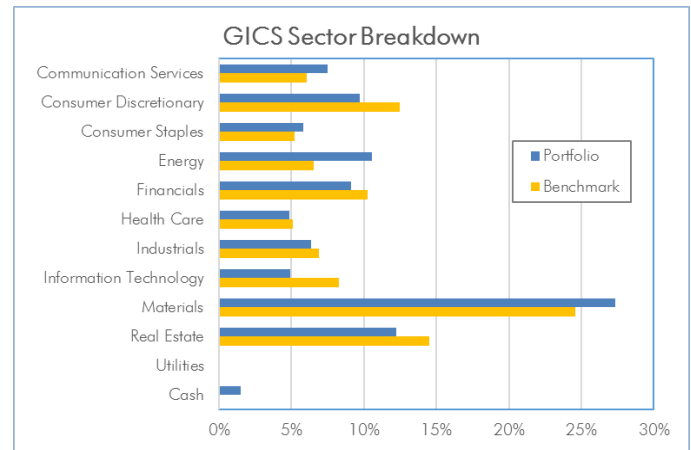


Five Largest Overweight Positions

| Security | Portfolio | Benchmark | Active |
|---------------------------|-----------|-----------|--------|
| New Hope Corporation L | 3.31% | 0.75% | 2.56% |
| Healius Limited | 2.94% | 0.90% | -1.03% |
| Genworth Mortgage Insu | 2.48% | 0.49% | 1.98% |
| Champion Iron Ltd | 3.10% | 1.15% | 1.95% |
| Graincorp Limited Class A | 2.76% | 0.91% | 1.86% |

Five Largest Underweight Positions

| Security | Portfolio | Benchmark | Active |
|------------------------------|-----------|-----------|--------|
| NIB Holdings Ltd | 0.39% | 1.36% | -0.97% |
| National Storage REIT | 0.00% | 1.05% | -1.05% |
| Seven Group Holdings Limited | 0.00% | 1.18% | -1.18% |
| Charter Hall Long WALE REIT | 0.00% | 1.21% | -1.21% |
| Uniti Group Ltd. | 0.00% | 1.37% | -1.37% |



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 | 7.63% | -7.96% | -0.58% | 6.17% | -5.68% | -0.33% | 0.02% | -0.17% | -0.15% |
| Consumer Discretionary | 9.97% | -11.10% | -1.15% | 12.75% | -10.92% | -1.45% | 0.11% | -0.02% | 0.10% |
| Consumer Staples | 5.92% | -5.71% | -0.35% | 5.23% | -4.46% | -0.23% | 0.02% | -0.07% | -0.05% |
| Energy | 10.25% | 4.24% | 0.43% | 6.30% | 2.73% | 0.18% | 0.35% | 0.13% | 0.48% |
| Financials | 9.11% | -6.30% | -0.54% | 10.23% | -5.08% | -0.50% | -0.02% | -0.10% | -0.12% |
| Health Care | 4.80% | -5.16% | -0.23% | 5.01% | -4.36% | -0.18% | 0.00% | -0.04% | -0.05% |
| Industrials | 6.46% | -9.08% | -0.64% | 7.04% | -6.49% | -0.48% | 0.01% | -0.18% | -0.17% |
| Information Technology | 4.82% | -3.02% | -0.12% | 8.23% | -5.48% | -0.43% | -0.05% | 0.11% | 0.06% |
| Materials | 27.50% | -9.03% | -2.59% | 24.49% | -9.44% | -2.43% | -0.07% | 0.12% | 0.05% |
| Real Estate | 12.29% | -9.50% | -1.19% | 14.56% | -7.98% | -1.15% | 0.02% | -0.19% | -0.17% |
| Utilities | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Cash | 1.25% | -0.43% | 0.00% | 0.00% | 0.00% | 0.00% | 0.07% | 0.00% | 0.07% |
| Total | 100% | -6.96% | -6.96% | 100% | -7.01% | -7.01% | 0.46% | -0.41% | 0.05% |

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 | -6.96 | -6.96 | 100.00 | -7.01 | -7.01 | -0.02 | 0.07 | 0.05 |
| Market Cap Quintile 1 (Large) | 37.91 | -4.67 | -1.69 | 34.80 | -6.11 | -2.11 | 0.02 | 0.54 | 0.56 |
| Market Cap Quintile 2 | 28.16 | -10.78 | -3.21 | 27.01 | -9.38 | -2.63 | -0.03 | -0.41 | -0.44 |
| Market Cap Quintile 3 | 11.98 | -6.00 | -0.70 | 18.69 | -5.60 | -1.01 | -0.10 | -0.05 | -0.14 |
| Market Cap Quintile 4 | 13.84 | -6.20 | -0.84 | 12.36 | -6.23 | -0.76 | 0.01 | 0.00 | 0.02 |
| Market Cap Quintile 5 (Small) | 6.87 | -7.64 | -0.52 | 7.13 | -7.32 | -0.51 | 0.00 | -0.02 | -0.02 |
| Cash | 1.25 | 0.43 | 0.00 | -- | -- | -- | 0.07 | -- | 0.07 |

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 May 2022



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 | | | | | | | |
| New Hope Corporation Limited | 3.31% | 5.70% | 0.17% | 0.75% | 5.70% | 0.04% | 0.29% |
| Champion Iron Ltd. | 2.94% | 3.83% | 0.11% | 1.09% | 3.83% | 0.04% | 0.19% |
| Coronado Global Resources Inc. Shs Chess Depo | 2.67% | -0.08% | 0.03% | 0.73% | 0.26% | 0.00% | 0.16% |
| Viva Energy Group Ltd. | 2.12% | 1.07% | 0.04% | 0.80% | 1.07% | 0.01% | 0.10% |
| Infomedia Ltd | 0.49% | 35.71% | 0.16% | 0.22% | 35.71% | 0.07% | 0.10% |
| Bottom 5 | | | | | | | |
| News Corporation Shs B Chess Depository Interest | 1.86% | -13.80% | -0.27% | 0.55% | -13.80% | -0.08% | -0.09% |
| NIB Holdings Ltd | 0.38% | 4.38% | 0.02% | 1.33% | 4.38% | 0.06% | -0.10% |
| Aurelia Metals Limited | 0.87% | -24.44% | -0.25% | 0.18% | -24.44% | -0.05% | -0.14% |
| Nufarm Limited | 2.43% | -17.30% | -0.47% | 0.78% | -17.37% | -0.15% | -0.18% |
| Johns Lyng Group Ltd | 1.46% | -32.92% | -0.61% | 0.48% | -32.92% | -0.20% | -0.30% |

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 | -7.01% | | | | | | | |
| Defensive Alpha Signal | -6.67% | 0.34% | 1.27% | 4.75% | 0.26 | 1.82% | 5.52% | 0.32 |
| Quality Alpha Signal | -5.98% | 1.03% | -1.57% | 3.67% | -0.41 | 2.21% | 4.60% | 0.47 |
| Trend Alpha Signal | -6.30% | 0.71% | 4.36% | 7.31% | 0.57 | 9.02% | 6.53% | 1.35 |
| Value Alpha Signal | -5.69% | 1.32% | 3.34% | 7.86% | 0.41 | 7.36% | 6.26% | 1.15 |
| Diversified Alpha Signal | -6.43% | 0.58% | 1.15% | 2.89% | 0.38 | 4.30% | 2.70% | 1.56 |
| Systematic Alpha Portfolio (Model) | -6.79% | 0.22% | -2.91% | 3.98% | -0.70 | 1.01% | 5.18% | 0.19 |
| Blue Orbit Australian Small Caps Systematic Alpha Fund* | -6.91% | 0.10% | -3.73% | 4.25% | -0.84 | -0.17% | 5.20% | -0.03 |

*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.

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 May 2022

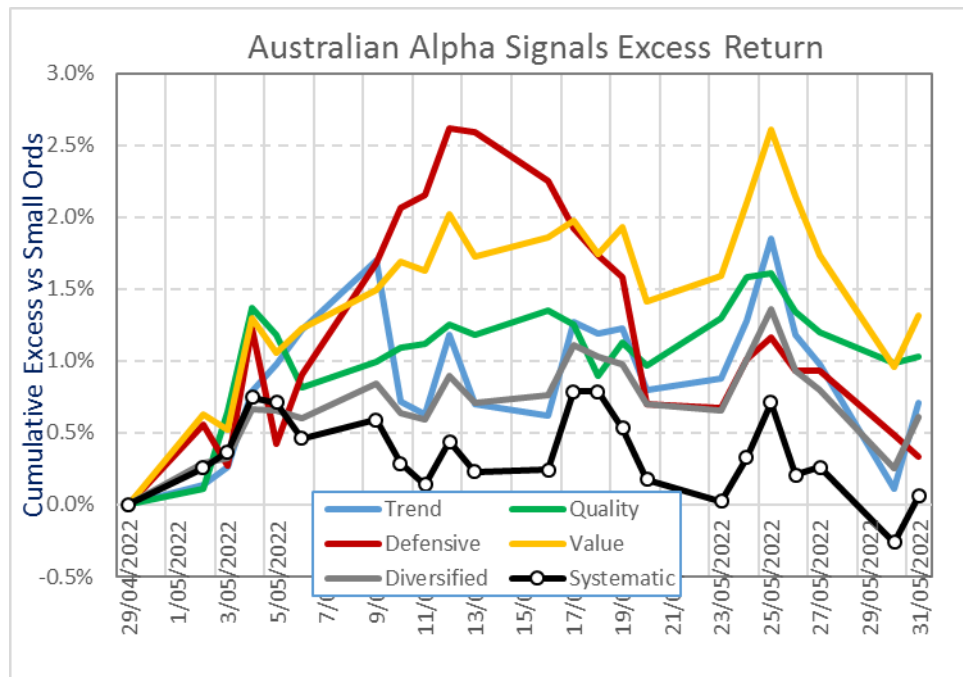


Figure 1: Cumulative Signal Performance

Figure 1 provides a summary of the relative performance of the Alpha Signals and the Fund against the Benchmark throughout the month. In May, Value was the strongest performer, with Quality a close second. Defensive had a very volatile month, from outperforming strongly mid-month to closing near Benchmark. All Signals finished the month outperforming.

Performance Commentary

Defensive Alpha Signal

The Defensive signal had a small outperformance for the month. Outperformance was primarily from stock selection, particularly within Materials and Financials. Top stock contributors to performance were overweights to New Hope Corporation (+5.7%), Coronado Global Resources (+0.3%), and the Signal not holding Sayona Mining (-31.3%) and AVZ Minerals (-21.2%).

Quality Alpha Signal

The Quality Signal performed well in May, outperforming the Benchmark by 1%. Sector allocation was a contributor, with the Signal overweight Energy and Health Care, and underweight Real Estate. Stock selection also contributed, with overweights to New Hope Corporation, Coronado Global Resources, and Infomedica (+35.7%). Overweights to Johns Lyng Group and Temple & Webster (-25.4%) were the key detractors.

Trend Alpha Signal

Trend outperformed by 0.7% in May, helped by strong sector allocation. The Signal was overweight Energy and Consumer Staples, while being underweight Consumer Discretionary. Stock selection within Information Technology and Real estate was also a strong contributor. The Signal was overweight to Brainchip Holdings (+15.8%), New Hope, Beach Energy (+6.25) and Champion Iron. Key stock detractors for the month were overweights to Johns Lyng Group and Aussie Broadband (-24.8%).

Australian Small Caps Systematic Alpha Fund (Wholesale)

Monthly Performance Report as at 31 May 2022



Value Alpha Signal

Value was the top performing Signal in May, helped by good sector positioning and strong stock selection. Market conditions overall were good for the Value style, with naïve PE and Dividend yield factors each outperforming the market by 0.6%. The Signal benefited from its overweight positions to Energy and Consumer Discretionary. Key stock contributors to performance were overweights to Infomedia and New Hope, as well as the Signal not holding Sayona Mining, AVZ Minerals, Johns Lyng Group or Lake Resources (-21.3%).

Diversified Alpha Signal

With its underlying signals outperforming, the Diversified Alpha Signal outperformed in May. Outperformance was through both sector allocation and stock selection, with the Signal mirroring its underlying components in being overweight Energy and underweight Consumer Discretionary. Stock wise, key contributors to performance were overweights to New Hope Corporation, Coronado Global Resources, Infomedia and Champion Iron Ltd.

The Fund underperformed the Diversified Alpha Signal in May. Sector allocation was neutral, but the small cash position was positive for the Fund. Diversified holds most of the stocks in the benchmark, with the Fund currently holding 100 stocks. Some of the stocks that had their weight increased, such as Johns Lyng Group, Novonix, and Champion Iron, performed poorly. There were also several positive weight changes, such as not holding Syrah Resources, and overweights to TPG Telecom, Graincorp, and Viva Energy.

Conclusion

Although there was a changing of the guard in Australia with Labour back in government after 10 years, it was global themes and monetary policy that had the key impact on domestic markets in May. Many developed countries (including Australia) increased interest rates with the aim of combating inflation. The impact on Australian markets was elevated after faring well in April. Although the Defensive Alpha Signal tends to do well in this environment and did outperform over the month, it was Value that has continued to dominate market style and Signal performance. With volatility remaining high and many economies potentially moving into recession territory, we are maintaining our portfolio positioning of maximum style diversification to navigate this environment.

Disclaimer

This report has been prepared for the general information of clients and professional associates of Blue Orbit Asset Management Pty. Ltd., ABN: 74 623 916 816 | AFSL: 513710 (Blue Orbit AM). This presentation has been prepared for use by wholesale clients only (within the meaning of the Corporations Act 2001 (Cth) and no other persons. Information presented in this document is general information only, and is not intended to constitute personal advice or recommendations. This information has not taken into account your investment objectives, financial situation or needs. We strongly recommend that you seek your own professional financial and legal advice prior to any investment decision. While every effort has been made to ensure accuracy at the time of compilation, Blue Orbit AM makes no warranties or representations as to the accuracy, completeness or reliability of this information, nor that it is free from error. You should read the information memorandum or other offer document for the Fund and consider whether an investment is appropriate for you. Unless otherwise stated, all returns shown in this presentation are simulated returns, and do not represent actual returns that an investor received. Neither Blue Orbit AM nor any other party guarantees any income or capital return from an investment and past performance is not an indication of future returns. Any forward looking statements in this presentation are based upon Blue Orbit AM's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond Blue Orbit AM's control and could cause actual results, performance or events to differ materially from those expressed or implied. These forward-looking statements are not guarantees or representations of future performance and should not be relied upon as such. Blue Orbit AM undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation. For more information please visit www.blueorbitam.com