

Global Small Caps Systematic Alpha Fund

Monthly Performance Report as at 31 May 2022



Highlights

- In May the **Blue Orbit** Global Small Caps Systematic Alpha Fund returned -0.37%, outperforming the Benchmark return of -0.97%.
- Market volatility remains elevated, with the muted overall return for the month not reflecting the large movements we saw intra month.
- US first quarter reporting season is now almost complete. Within our universe, around 65% of companies beat their Q1 earnings estimates.

As at 31st May 2022	1 Month	3 Month	6 Months	1 Year	Since Inception
Blue Orbit Global Small Cap Systematic Alpha Fund ¹	-0.37%	-4.34%	-11.70%		-6.41%
Benchmark ²	-0.97%	-6.26%	-12.06%		-11.26%
Excess Return	0.60%	1.91%	0.36%		4.85%

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

In May, global supply chains were further impacted by Covid lockdowns across parts of China. With no end in sight to the war in Ukraine, uncertainty remains high for investors. Equity markets had a wild ride in May, with several markets down 8% early in the month, before slowly paring back the losses. In May, the S&P500 +0.01%, NASDAQ -2.1%, FTSE100 +0.84%, DAX +2.1%, and Nikkei +1.6%. Brent Crude Oil increased again to close at US\$116/bbl, with gold dropping a little to US\$1835/oz. After dropping below US\$0.70 early in the month, the Australian dollar also rallied, closing flat for the month against the US Dollar, Euro and Yen.

The Energy sector (+11.0%) continued its rally in May, with Financials (+2.3%) also strong. Real Estate (-4.2%), Health Care (-3.3%) and Consumer Discretionary (-3.3%) were weak. Energy has now returned +51.8% this calendar year, with Utilities the only other positive sector at +0.9%, while the Benchmark has fallen 13.0%. Portugal (+11.8%) was the standout country in May, followed by Ireland (+4.0%). Israel (-12.0%) was very weak, as was New Zealand (-7.0%), with the US (-0.8%). The MSCI World ex AU Small Cap Value index (+0.64%) again outperformed the Growth index (-2.8%).

For the Fund, sector allocation was very strong, mainly from Energy, Real Estate and Financials. Good stock selection within Industrials and IT was lost from poor selection within Real Estate. Country allocation was a small detractor, mainly from the overweight position to Israel. The Fund's biggest stock contributor in May was Marathon Oil (+25.2%), which is now up 95% year to date, and has now been elevated to MSCI World Large caps. Other contributors were Marine transporter Kawasaki Kisen Kaisha (+53.6%), after reporting strong cash flow growth, and electrical manufacturer Atkore (+12.3%). Avis Budget (-29.6%), Aritzia (-19.2%), and Pacira Biosciences (-16.0%) were the largest detractors.

Portfolio Facts

Fund Details	
NAV unit price (Mid)	\$0.9359
Inception date	5th October 2021
Performance benchmark	MSCI World ex Australia Small Cap Index (Net Dividends Reinvested) in AUD
Buy/sell spread	0.30%/ -0.30%
APIR	ETL2441AU

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Signal Performance

Alpha Signal Returns (AUD)	1 Month Return	1 Month Excess	1 Year Return	1 Year Excess
Benchmark	-0.97%		-6.58%	
Defensive Alpha Signal	-0.58%	0.39%	2.46%	9.04%
Quality Alpha Signal	-0.39%	0.58%	-3.49%	3.09%
Trend Alpha Signal	0.48%	1.45%	-3.46%	3.12%
Value Alpha Signal	1.12%	2.09%	5.36%	11.94%
Diversified Alpha Signal	0.27%	1.24%	1.38%	7.96%

The Alpha Signal 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 chart shows that as markets fell early in the month, the Alpha Signals outperformed, but took very different paths to get there. As markets rallied the Alpha Signals behaved similarly, with the exception of Defensive.

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 now complete in the US, with the majority of Fund holdings having reported. Earnings across the board were better than expected, with around 2/3 of companies reporting earnings above expectations.

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	289	4295
Market Capitalization	8,010	6,018
Active Share	84.2	0.0
Dividend Yield	2.2	1.8
Price/Earnings	7.6	12.4
P/E using FY1 Est	8.6	12.6
Price/Cash Flow	6.0	8.5
Price/Book	1.9	1.7
ROA	13.1	5.3
ROE	28.0	12.2
LT Debt to Capital	36.5	36.7

Top 10 Holdings	Portfolio	Benchmark	Active
Louisiana-Pacific Corporation	1.62%	0.09%	1.53%
Reliance Steel & Aluminum Co.	1.42%	0.17%	1.24%
Builders FirstSource, Inc.	1.42%	0.18%	1.24%
Atkore Inc	1.39%	0.07%	1.32%
Huntsman Corporation	1.33%	0.11%	1.22%
Credit Acceptance Corporation	0.98%	0.07%	0.92%
LPL Financial Holdings Inc.	0.92%	0.23%	0.69%
OneMain Holdings, Inc.	0.82%	0.05%	0.77%
Williams-Sonoma, Inc.	0.80%	0.14%	0.66%
Tetra Tech, Inc.	0.77%	0.10%	0.67%

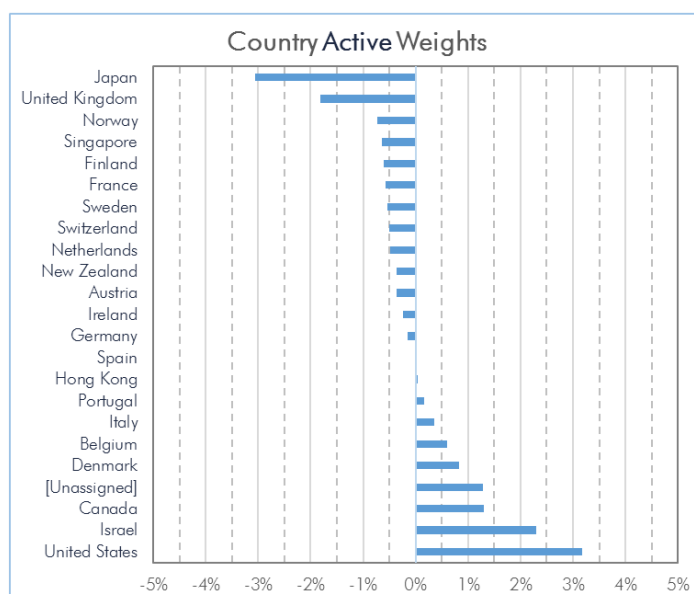
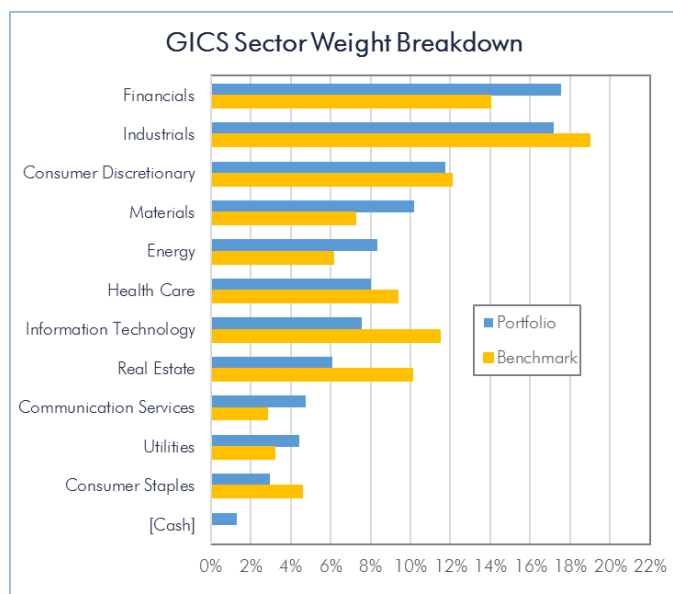
For the Benchmark, the cheapest P/E group of stocks was flat, expensive P/E stocks were down 19%, and stocks with negative earnings were down 27%. This environment helped the Value Alpha Signal continue its strong performance, as did the overweight to Energy and underweight to IT.

Defensive Alpha again performed as expected, outperforming as the market dropped. This came through good sector allocation across most sectors. Trend Alpha's outperformance was also through good sector allocation, with overweights in Energy and Financials, and underweights to Real Estate and Health Care. The overweight to Israel was a large detractor.

Quality Alpha struggled due to the underweight to Energy, but still outperformed. Good stock selection within Industrials, IT, and Health Care provided most of the performance. Louisiana Pacific, Atkore, and Credit Acceptance were good performers.

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