

Global Small Caps Systematic Alpha Fund

Monthly Performance Report as at 30 September 2022



Highlights

- The **Blue Orbit** Global Small Caps Systematic Alpha Fund returned **-4.11%**, outperforming the Benchmark return of **-4.15%**.
- Despite large falls in Global markets, the fall in the Australian Dollar resulted in smaller drawdowns for AUD based investors.
- The Trend and Defensive Alpha Signals have continued to outperform.

As at 30 September 2022	1 Month	3 Month	6 Months	1 Year	Since Inception
Blue Orbit Global Small Cap Systematic Alpha Fund ¹	-4.11%	1.84%	-7.72%		-12.05%
Benchmark ²	-4.15%	1.23%	-8.07%		-15.39%
Excess Return	0.04%	0.60%	0.35%		3.35%

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

September was negative for equity markets, with a series of interest rate rises across a number of developed countries- led by a 0.75% increase by both the Fed and the ECB. This, together with hawkish comments from central banks and strong labour market data, indicates that there are likely to be more interest rate rises in the future.

The downward trajectory we saw in August continued into September, with many stock market indexes now technically in bear market territory. The S&P 500 ended the month down 9.4%, NASDAQ down 10.5%, and US Small caps performed slightly worse with Russell 2000 down 9.7%. Asian markets showed large declines with Nikkei down -7.7% and Hang Seng down -13.7%. European markets were also down but less than US and Asian markets, with FTSE100 -5.4%, DAX -5.6% and CAC -5.9%. The Australian dollar fell 6.2% against the USD, 3.7% against the Euro and 2.1% against the Yen. As a result of the currency weakness, the small caps Benchmark fell only 4.2% for the month in AUD terms.

September mirrored August where the Benchmark started the month positively, up 2.5%, before losing ground to finish down 4.2%. Within the small cap markets, all 11 sectors declined with big moves from Real Estate (-7.5%), Communication Services (-7.2%) and Energy (-7.2%). Small caps stocks in all developed markets fell with large double digit falls from Norway (-16.0%), Luxembourg (-15.5%) and Israel (-11.6%). MSCI World ex AU Small Cap Growth Index (-4.1%) slightly outperformed the Value index (-4.5%). Stocks with negative earnings performed in-line with the Benchmark, while the cheapest group of stocks underperformed the Benchmark returning -7.1%. Similarly, the smallest group of stocks underperformed, returning -5.8%.

For the Fund, sector allocation was neutral. The overweight position in Energy detracted, which was offset by our underweight position in Real Estate. Stock selection was a net contributor, especially within Industrials and Communication Services. Country allocation was also neutral. Good stock selection in the United States was offset by poor stock selection within Japan. From a stock perspective Builders FirstSource (+7.2%) was the strongest contributor over the month while Williams Sonoma (-15.5%) was the biggest detractor.

Portfolio Facts

Fund Details	
Fund Valuation (AUD)	\$4,196,359.37
NAV unit price (Mid)	\$0.8769
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%
Distributions	Half Yearly (30 June and 31 December)
APIR	ETL2441AU

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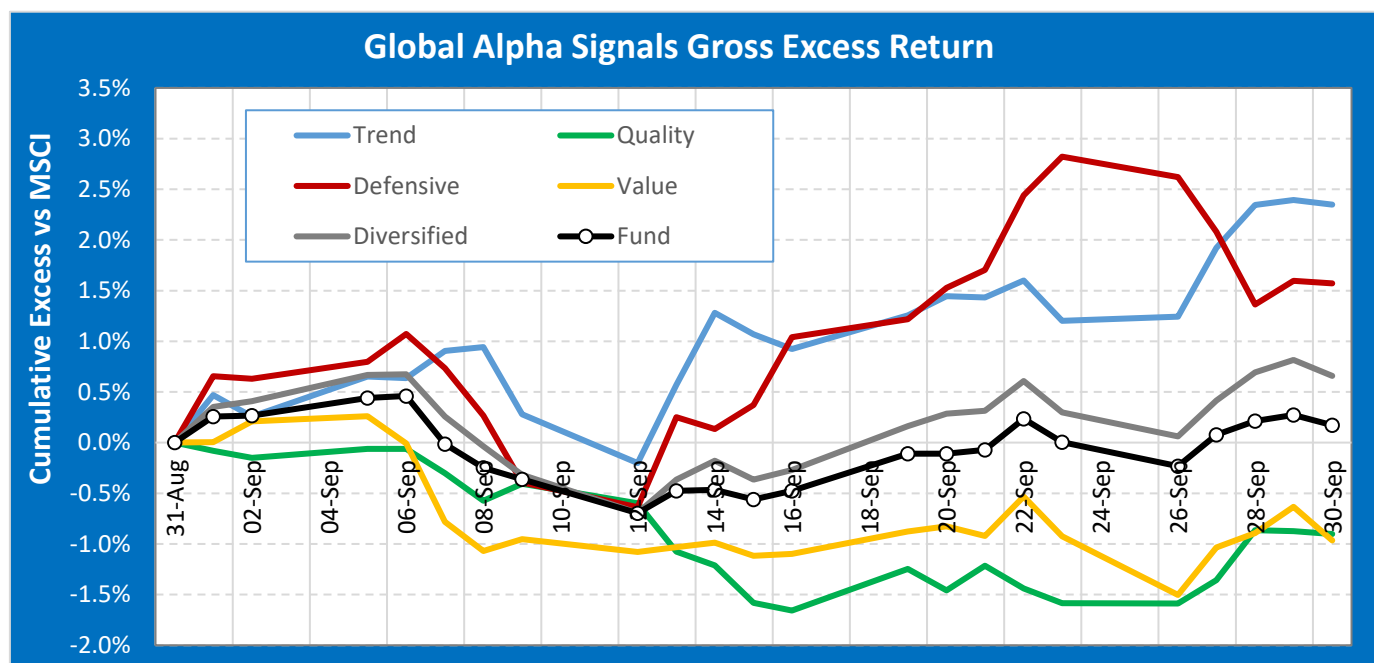
Signal Performance

TABLE 1: Signal Returns

Alpha Signal Returns (AUD)	1 Month Return	1 Month Excess	1 Year Return	1 Year Excess
Benchmark	-4.15%		-15.77%	
Defensive Alpha Signal	-2.52%	1.63%	-6.92%	8.85%
Quality Alpha Signal	-5.01%	-0.86%	-15.02%	0.75%
Trend Alpha Signal	-1.77%	2.38%	-11.88%	3.89%
Value Alpha Signal	-5.07%	-0.92%	-9.08%	6.68%
Diversified Alpha Signal	-3.44%	0.70%	-10.23%	5.53%

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.

CHART 1: Global Alpha Signals Excess Returns



In September the Alpha Signals were relatively flat for the first 10 days and then diverged. Trend and Defensive outperformed, while Value and Quality detracted.

Strong stock selection within the United States dominated Trend's outperformance, as did good stock selection within the largest group of stocks (by market cap). From a sector perspective there was good stock selection amongst 4 sectors, namely Information Technology, Health Care, Industrials and Financials. Key stock contributors were First Solar (+10.6%) and Hubbell (+15.3%).

Defensive Alpha outperformed in the falling market, with the outperformance driven by its low volatility positioning. Good stock selection within Industrials and Real Estate sectors also added to outperformance.

Quality underperformed by 0.9%. Both the underweight position and poor stock selection in Japan contributed to the detraction. Poor stock selection in Financials, Real Estate and Consumer Discretionary outweighed the strong stock selection in Industrials.

Stock selection within the United States was again a key detractor for the Value Signal. Both sector allocation and poor stock selection from Financials were detractors. Builders First Source was the top Value contributor and Olin Corporations (-16.4%) was the largest detractor.

The Diversified Signal outperformed the Fund in September, primarily driven by the Diversified Signal's better stock selection within the United States compared to the Fund.

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Closing Comments

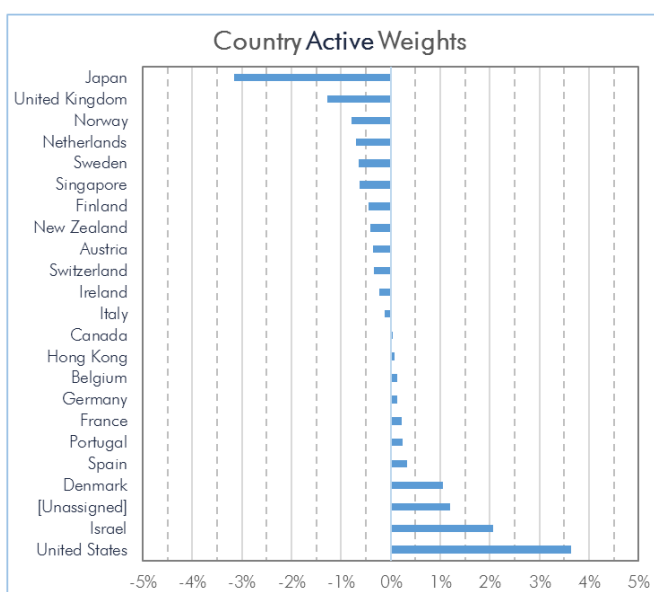
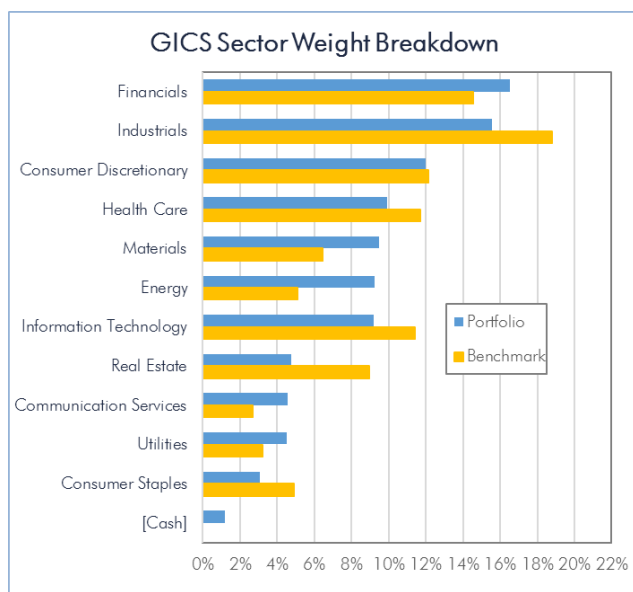
Investor confidence remains weak, attributed to persistent high inflation, and continued geopolitical and supply chain issues. Economists indicate that a recession is a likely possibility in the near future – with the question remaining as to its severity. In an environment of continued volatility, our diversification across signals continues to lead to outperformance. Defensive performed well as we expected in a down market, and Trend continues to outperform, however Quality continues to take a back seat.

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	280	4316
Market Capitalization	7,680	5,503
Active Share	84.4	0.0
Dividend Yield	2.5	2.1
Price/Earnings	7.2	10.3
P/E using FY1 Est	7.5	10.8
Price/Cash Flow	5.7	7.3
Price/Book	1.7	1.5
ROA	12.2	4.4
ROE	26.2	11.0
LT Debt to Capital	34.6	35.8

Top 10 Holdings	Portfolio	Benchmark	Active
Reliance Steel & Aluminum Co.	1.69%	0.18%	1.51%
Chesapeake Energy Corporation	1.44%	0.18%	1.25%
Builders FirstSource, Inc.	1.27%	0.17%	1.10%
Manhattan Associates, Inc.	1.23%	0.14%	1.09%
Carlisle Companies Incorporated	1.22%	0.00%	1.22%
Qualys, Inc.	1.20%	0.08%	1.12%
Ovintiv Inc	1.11%	0.20%	0.91%
Nexstar Media Group, Inc.	1.03%	0.11%	0.92%
Unum Group	1.03%	0.13%	0.90%
Louisiana-Pacific Corporation	1.00%	0.07%	0.92%



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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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