

# Australian Small Caps Systematic Alpha Fund (Wholesale)

## Monthly Performance Report as at 30 November 2022



### Highlights

- The Small Ordinaries Benchmark climbed 4.9% in November, following a strong 6.5% rise in October.
- The **Blue Orbit** Australian Small Caps Systematic Alpha Fund underperformed the Benchmark by 1.1% over the month.
- Value was the strongest performing Alpha Signal, while Trend (after a strong October) was the weakest performing Signal.

As at 30 November 2022	1 Month	3 Month	6 Months	1 Year	2 Years (Annualised)	Since Inception (Annualised) <sup>2</sup>
Blue Orbit Australian Small Cap Systematic Alpha Fund <sup>1</sup>	3.79%	1.99%	-1.59%	-13.23%	0.88%	-0.45%
Benchmark <sup>3</sup>	4.92%	-0.81%	-3.38%	-14.03%	0.91%	3.18%
Excess Return	-1.14%	2.80%	1.79%	0.79%	-0.04%	-3.63%

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 strong month in October, global markets continued their rally to post positive returns in November. US markets were strong, with the S&P 500 up 5.4%, and NASDAQ up 4.4%. Asian equities rallied strongly on hopes of easing Chinese COVID restrictions, with the MSCI China index climbing 29% and Hong Kong equities up almost 27%. In line with global risk on appetite, the AUD gained 4.7% against the USD.

Domestically, the Australian small caps Benchmark added 4.9% in November. Performance was driven by strong returns in the Materials sector, which climbed 12.9%. Gold was the standout subindustry contributor within that sector, up 20.8%. Consumer Staples was the worst performing sector (-1.3%), in line with the overall risk-on market appetite. Despite posting a positive return for the month, Energy (+2.5%) underperformed the broader Benchmark return and was one of the weakest sectors.

The Fund underperformed the Benchmark in November, primarily through stock selection in Materials and Financials. The Fund did not hold Bellevue Gold (+48.7%), De Grey Mining (+29.2%), Nickel Industries (+33.6%), Chalice Mining (+24.4%) or Sandfire Resources (+45.2%). The Fund's tilt to larger capitalisation stocks was also a detractor, as smaller capitalisation stocks outperformed over the month.

### Portfolio Facts

Fund Details	
Fund Valuation (AUD)	\$1,667,532
NAV unit price (Mid)	\$0.9148
Inception date	11 October 2019
Performance benchmark	S&P/ASX Small Ordinaries Accumulation Index
Buy/sell spread	0.20%/ -0.20%
Distributions	Annually

### Signal Performance

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.

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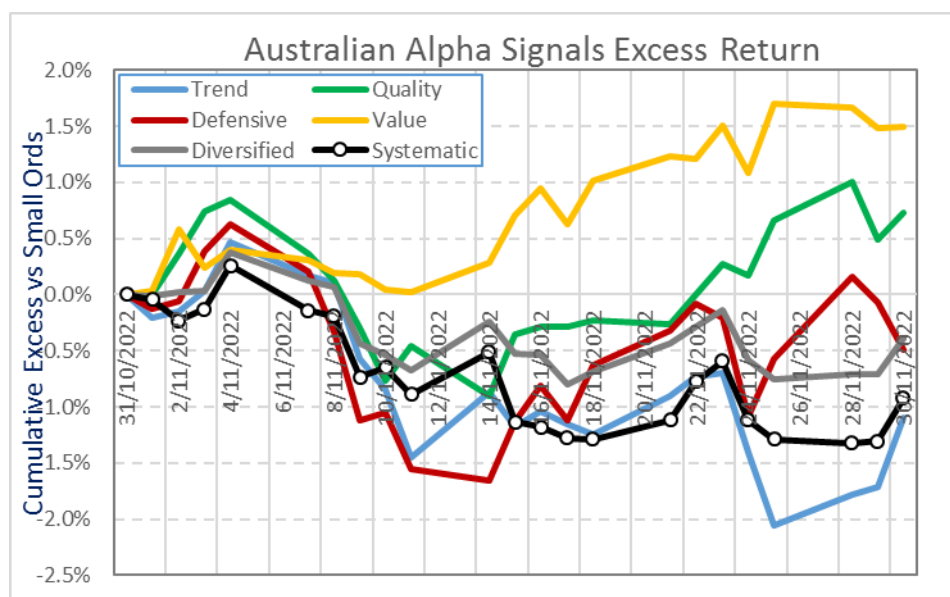
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Alpha Signal	1 Month Return	1 Month Excess	1 Year Excess Return	1 Year Tracking Error	1 Year Information Ratio	2 Year Annualised Excess Return	2 Year Annualized Tracking Error	2 Year Information Ratio
Small Ordinaries	4.92%							
Defensive Alpha Signal	4.44%	-0.49%	7.15%	6.90%	0.99	2.98%	6.36%	0.46
Quality Alpha Signal	5.66%	0.73%	9.06%	4.22%	2.06	5.33%	4.73%	1.10
Trend Alpha Signal	3.82%	-1.10%	-2.28%	7.13%	-0.31	5.97%	7.06%	0.83
Value Alpha Signal	6.42%	1.49%	11.21%	6.39%	1.68	4.74%	6.60%	0.70
Diversified Alpha Signal	4.54%	-0.39%	4.07%	3.81%	1.02	4.10%	3.27%	1.23
Systematic Alpha Portfolio (Model)	3.92%	-1.00%	3.81%	4.49%	0.81	3.69%	4.64%	0.78
Blue Orbit Australian Small Caps Systematic Alpha Fund*	3.86%	-1.07%	1.51%	4.02%	0.36	0.79%	4.40%	0.18

\*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.



The chart above provides a summary of the relative performance of the Alpha Signals and the Fund against the Benchmark. After a positive first week for the Signals, we saw performance diverge throughout the month. Value outperformed all month, finishing November near its relative highs. Trend was the poorest performer, with significant volatility in its performance during the month.

Value's outperformance was partly due to the larger outperformance of value stocks over the month- stocks with lower P/E ratios outperformed those with higher or negative ratios. Value also benefited from an overweight to Materials, together with strong stock selection across a majority of sectors. Key contributors to performance were overweights to Coronado Global (+25.7%), Regis Resources (+26.6%), and Champion Iron (+39%).

Trend's underperformance came primarily through its positioning within Materials. An overall underweight to the sector detracted, as did an underweight to the gold subindustry. Stock selection within Materials was a key detractor, with the Signal not holding many of the strongly performing stocks, such as Champion Iron, Sandfire Resources, Nickel Industries or Perseus Mining (+22.2%).

## Closing Comments

Markets performed strongly for the second month in a row, as global volatility continued to decrease. In November, we saw some return of risk appetite, with defensive sectors and larger capitalisation stocks underperforming, and risk currencies such as the AUD showing strong performance. Despite the recent positive performance, the market remains down over 15% for the calendar year to date. We are maintaining our well-diversified positioning across all Signals into the end of the year, to ensure the Fund can respond to any increase in market volatility in the months ahead.

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### Strategy Characteristics

The strategy generally holds around 80-100 names, is Benchmark aware with a tracking error range around 4-6%, with active weight controls applied to stocks and sectors.

Characteristics	Portfolio	Benchmark
Number of securities	107	199
Market Capitalization	2,607	2,363
Active Share	51.8	0.0
Dividend Yield	4.0	3.1
Price/Earnings	6.1	8.0
P/E using FY1 Est	11.2	14.6
Price/Cash Flow	7.6	9.0
Price/Book	1.7	1.7
ROE	17.0	10.8
LT Debt to Capital	27.0	22.5

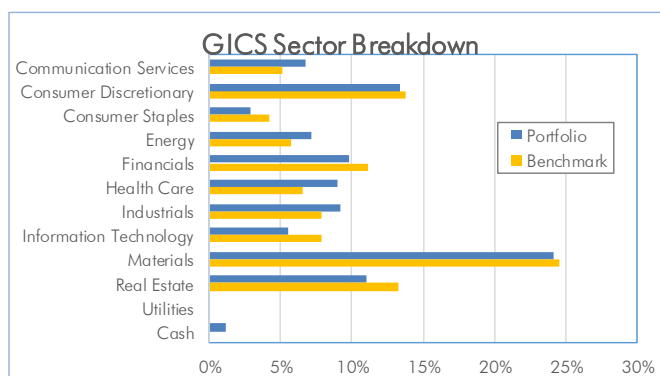
Top Ten Holdings	Portfolio	Benchmark
Technology One Limited	3.23%	1.60%
Lovisa Holdings Ltd.	2.84%	0.64%
Liontown Resources Limited	2.81%	1.53%
Perseus Mining Limite	2.65%	1.29%
New Hope Corporation	2.65%	1.26%
Viva Energy Group Ltd.	2.53%	0.80%
Pro Medicus Limited	2.42%	1.26%
Core Lithium Ltd	2.22%	0.93%
Spark New Zealand Limited	2.21%	0.46%
Helia Group Limited	2.15%	0.38%

### Five Largest Overweight Positions

Security	Portfolio	Benchmark	Active
Lovisa Holdings Ltd.	2.84%	0.64%	2.20%
Helia Group Limited	2.15%	0.38%	1.77%
Spark New Zealand Limi	2.21%	0.46%	1.76%
Viva Energy Group	2.53%	0.80%	1.74%
Mcmillan Shakespeare Limited	2.13%	0.39%	1.73%

### Five Largest Underweight Positions

Security	Portfolio	Benchmark	Active
Webjet Limited	0.00%	1.03%	-1.03%
National Storage REIT	0.00%	1.09%	-1.09%
Chorus Limited	0.23%	1.40%	-1.17%
Charter Hall Long WALE REIT	0.00%	1.22%	-1.22%
Seven Group Holdings Limited	0.00%	1.38%	-1.38%



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