



Betashares Australian Small Companies Select Fund (Managed Fund)

ASX: SMLL

Quarterly Report - December 2023

E: info@betashares.com.au

T: 1300 487 577 (within Australia)

T: +61 2 9290 6888 (outside Australia)



Performance ¹	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception% p.a. ²
Fund Return (net)	6.25%	7.64%	7.81%	7.15%	1.79%	6.38%
Growth Return	7.64%	7.64%	5.87%	3.03%	-3.28%	2.45%
Income Return	-1.39%	0.00%	1.94%	4.12%	5.07%	3.93%
S&P/ASX Small Ordinaries Accumulation Index	7.23%	8.52%	6.42%	7.82%	0.95%	5.84%
Active Return	-0.98%	-0.88%	1.39%	-0.67%	0.84%	0.54%

Past performance is not a reliable indicator of future performance.

¹ As at 29 December 2023. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

² Inception date for the Fund is 7 April 2017.

Investment objective

The Fund aims to provide investors with capital growth and income from a portfolio of small company shares listed on the ASX. The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (Index) over the medium to long term (after fees and expenses).

Responsible entity

Betashares Capital Ltd

Distribution frequency

Semi-annual

Suggested minimum investment timeframe

At least five years

Fund facts	
Inception Date	7-Apr-17
Fund Size	\$85.24m
Historical Tracking Error (annualised)	0.73%
ASX Code	SMLL
Bloomberg Code	SMLL AU Equity
IRESS Code	SMLL.ASW

Fees	% p.a.
Management fee	0.32
Recoverable expenses	0.07
Performance fee ¹	15.5

¹ A performance fee may be payable. This fee is 15.5% of the Fund's performance above the performance benchmark in a calendar quarter.

Investment strategy

The Fund's assets are invested in a portfolio of high quality, profitable small companies that are drawn from a universe of ASX-listed stocks that are generally within the 101-350 largest by market capitalisation. The portfolio typically consists of 50-100 stocks.

The portfolio is constructed using a series of screens that aim to identify companies with positive earnings and a strong ability to service debt. Relative valuation metrics and price momentum are also evaluated as part of the stock selection process. In addition, liquidity is taken into account with a view to selecting stocks that are more liquid relative to other small companies. The Fund does not track a published benchmark.

Top 5 positions ¹	%
JB HI-FI Ltd	4.0
Qube Holdings Ltd	4.0
Champion Iron Ltd	2.9
CSR Ltd	2.8
Metacash Ltd	2.6

¹ As at 29 December 2023. Excludes any small cap ETFs which may be used from time to time for cash management purposes

Asset allocation ¹	Actual %	Range %
Security	98.9	90-100
Cash	1.1	0-10

¹ Average over the quarter

Sector exposure ¹	Fund Weight % ²	Index Weight % ²	Active Weight %
Communication Services	3.0	4.8	-1.8
Consumer Discretionary	20.0	17.4	2.6
Consumer Staples	5.2	3.0	2.2
Energy	9.8	7.0	2.8
Financials	6.7	9.8	-3.1
Health Care	4.0	7.9	-3.9
Industrials	12.6	8.2	4.5
Information Technology	0.9	5.6	-4.6
Materials	25.8	23.9	2.0
Real Estate	11.9	12.5	-0.6
Utilities	0.0	0.0	0.0
TOTAL	100	100	0.00

¹ Excludes any small cap ETFs which may be used from time to time for cash management purposes.

² As at 29 December 2023

Market commentary

Sharemarkets witnessed a 'Christmas rally' into the end of 2023, as bond yields declined and inflation continued to ease. A surprise dovish pivot from the US Federal Reserve in their December meeting also paved the way for markets to grind higher globally and finish the year with a flourish. The Australian sharemarket ended the quarter 8.39% higher, with iron ore miners and Real Estate stocks leading the charge, benefiting from a pick-up in iron ore prices and predicted 2024 rate cuts, respectively.

The Australian small-cap sector was able to outperform the broader sharemarket, albeit only slightly, returning 8.52%. This was largely driven by a greater exposure to the Real Estate sector within small-caps, relative to the broader market. Within SMLL's portfolio, gold miner Silver Lake Resources was able to benefit from soaring gold prices, gaining 40.8% for the quarter. While software company, Iress, raised its earnings guidance for 23FY, which resulted in the company rallying 40.3% and bouncing off a 15-year-low.

Fund performance summary

The Fund underperformed the S&P/ASX Small Ordinaries Accumulation Index by -0.88% during the quarter. Of this -0.88% relative performance, stock selection contributed -0.54%, while sector allocation contributed -0.34%.

Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Information Technology	-5.0	5.1	0.2
Communication Services	-1.7	2.2	0.1
Consumer Staples	2.4	13.5	0.1
Industrials	4.5	5.9	-0.1
Health Care	-3.3	18.0	-0.3
Energy	3.0	-5.3	-0.4

The underweight position in IT and Communication Services were key contributors to sector allocation, while the overweight position in Energy was a key detractor from relative performance.

Top contributors and detractors from security selection

Key contributors

Security name	Sector	Active weight %	Stock return %	Value added %
Champion Iron Ltd	Materials	1.5	35.1	0.3
Jb Hi-Fi Ltd	Consumer Discretionary	3.8	16.8	0.3
Paladin Energy Ltd	Energy	-1.3	-10.5	0.3
Telix Pharmaceuticals Ltd	Health Care	-1.2	-11.6	0.3
Megaport Ltd	Information Technology	-0.7	-21.8	0.2

Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Neuren Pharmaceuticals Ltd	Health Care	-0.8	125.8	-0.7
Iluka Resources Ltd	Materials	2.7	-14.1	-0.7
New Hope Corp Ltd	Energy	1.8	-14.6	-0.5
Metcash Ltd	Consumer Staples	3.0	-4.8	-0.4
Orora Ltd	Materials	1.9	-5.5	-0.3

On an individual basis, Champion Iron Ltd was the largest contributor (returning 35.14%), and this contributed 0.34% to relative performance. Neuren Pharmaceuticals Ltd was the largest detractor (returning 125.77%), which detracted -0.71% from relative performance.

There are risks associated with an investment in SMLL, including investment objective risk, market risk and small companies risk. For more information on risks and other features of SMLL, please see the Product Disclosure Statement.

Important

This information is for the use of licensed financial advisers and other wholesale clients only. It must not be distributed to retail clients.

The information contained in this document is general information only and does not constitute personal financial advice. It does not take into account any person's financial objectives, situation or needs. It has been prepared by Betashares Capital Limited (ABN 78 139 566 868, Australian Financial Services Licence No. 341181) ("Betashares").

The information is provided for information purposes only and is not a recommendation to make any investment or adopt any investment strategy. Betashares assumes no responsibility for any reliance on the information in this document. Past performance is not indicative of future performance. Investments in BetaShares Funds are subject to investment risk and the value of units may go down as well as up.

Future results are inherently uncertain. This information may include opinions, views, estimates, projections, assumptions and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Forward-looking statements are based on certain assumptions which may not be correct. You should therefore not place undue reliance on such statements.

Any person wishing to invest in Betashares Funds should obtain a copy of the relevant PDS from www.betashares.com.au and obtain financial advice in light of their individual circumstances. You may also wish to consider the relevant Target Market Determination (TMD) which sets out the class of consumers that comprise the target market for the Betashares Fund and is available at www.betashares.com.au/target-market-determinations.

Betashares

T: 1300 487 577 (within Australia)

T: +61 2 9290 6888 (outside Australia)

E: info@betashares.com.au

W: betashares.com.au

   @betashares

  /betashares