



# Betashares Australian Small Companies Select Fund (Managed Fund)

**ASX: SMLL**

**Quarterly Report - June 2023**

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Performance <sup>1</sup>	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception% p.a. <sup>2</sup>
Fund Return (net)	-0.03%	-2.94%	-0.61%	6.04%	7.19%	5.62%
Growth Return	-0.03%	-2.94%	-2.68%	-0.35%	2.06%	1.72%
Income Return	0.00%	0.00%	2.07%	6.39%	5.13%	3.90%
S&P/ASX Small Ordinaries Accumulation Index	0.03%	-0.54%	1.32%	8.45%	5.16%	5.26%
Active Return	-0.06%	-2.40%	-1.93%	-2.41%	2.03%	0.36%

Past performance is not a reliable indicator of future performance.

<sup>1</sup> As at 30 June 2023. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup> 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	\$71.58m
Historical Tracking Error (annualised)	0.69%
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 <sup>1</sup>	15.5

<sup>1</sup> 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 <sup>1</sup>	%
Iluka Resources Ltd	4.1
Qube Holdings Ltd	3.6
JB HI-FI Ltd	3.4
Metacash Ltd	3.0
New Hope Corp Ltd	2.6

<sup>1</sup> As at 30 June 2023. Excludes any small cap ETFs which may be used from time to time for cash management purposes

Asset allocation <sup>1</sup>	Actual %	Range %
Security	98.8	90-100
Cash	1.2	0-10

<sup>1</sup> Average over the quarter

Sector exposure <sup>1</sup>	Fund Weight % <sup>2</sup>	Index Weight % <sup>2</sup>	Active Weight %
Energy	9.6	5.7	3.8
Consumer Staples	5.4	4.4	1.1
Consumer Discretionary	17.6	16.2	1.4
Industrials	12.0	7.8	4.2
Financials	6.4	9.2	-2.8
Materials	27.3	26.4	0.9
Communication Services	2.9	5.1	-2.2
Information Technology	1.2	4.9	-3.7
Health Care	5.0	7.5	-2.5
Real Estate	12.6	12.9	-0.3
Utilities	0.0	0.0	0.0
TOTAL	100.00	100.00	0.00

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

<sup>2</sup> As at 30 June 2023

## Market commentary

The Australian sharemarket managed to eke out a 1.01% gain in a second quarter that followed a somewhat similar narrative to the first. We saw two consecutive rate rises from the RBA in May and June that came off the back of an April pause. However, despite this, sharemarkets were again supported by slowing inflation data and expectations that we're now at the back end of the monetary tightening regime. The technology sector also continued its impressive year, as Artificial Intelligence services such as Chat GBP continued to garner positive momentum within the sector both locally in Australia and abroad. Information Technology was a standout performer in Q2.

The Australian small-cap sector lagged the broader market returning -0.54%, which was partly driven by a sell-off in small-cap miners and strong performance of certain large-cap banks, like ANZ, Macquarie & Suncorp. Within SMLL's portfolio, grain farmer GrainCorp (GNC) gained 13.3% during the quarter following an earnings upgrade and announcement that Australian grainers are enjoying one of its best production years ever. While shipbuilder Austal (ASB) also had an impressive quarter (+37.4%), as takeover speculation in the company grew stronger.

## Fund performance summary

The Fund underperformed the S&P/ASX Small Ordinaries Accumulation Index by -2.4% during the quarter. Of this -2.4% relative performance, stock selection detracted -1.96%, while sector allocation detracted -0.44%.

### Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Industrials	4.0	6.2	0.3
Energy	3.7	1.2	0.1
Communication Services	-2.2	-1.3	0.0
Health Care	-2.6	3.9	-0.1
Financials	-2.8	8.0	-0.2
Information Technology	-3.7	10.5	-0.4

The overweight positions in Industrials and Energy contributed to relative performance while an underweight position in Information Technology detracted from relative performance.

### Top contributors and detractors from security selection

#### Key contributors

Security name	Sector	Active weight %	Stock return %	Value added %
Downer Edi Ltd	Industrials	1.8	19.8	0.3
Syrah Resources Ltd	Materials	-0.3	-50.7	0.2
Iluka Resources Ltd	Materials	4.1	4.6	0.2
Chalice Mining Ltd	Materials	-1.1	-16.4	0.2
Star Entertainment Grp Ltd/T	Consumer Discretionary	-0.7	-19.2	0.2

#### Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Telix Pharmaceuticals Ltd	Health Care	-1.1	62.6	-0.5
Perseus Mining Ltd	Materials	1.2	-30.7	-0.4
Yancoal Australia Ltd	Energy	1.5	-21.0	-0.3
Leo Lithium Ltd	Materials	-0.3	105.8	-0.2
Life360 Inc-Cdi	Information Technology	-0.5	53.8	-0.2

On an individual basis, Downer Edi Ltd was the largest contributor (returning 19.83%), and this contributed 0.35% to relative performance. Telix Pharmaceuticals Ltd was the largest detractor (returning 62.61%), which detracted -0.46% from relative performance.

## Important

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## Betashares

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