



Betashares Australian Small Companies Select Fund (Managed Fund)

ASX: SMLL

Quarterly Report - March 2024

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)	4.77%	7.10%	15.28%	12.06%	3.67%	7.19%
Growth Return	4.77%	5.21%	13.25%	8.11%	-1.79%	3.11%
Income Return	0.00%	1.89%	2.03%	3.95%	5.46%	4.08%
S&P/ASX Small Ordinaries Accumulation Index	4.79%	7.55%	16.71%	13.83%	2.72%	6.73%
Active Return	-0.02%	-0.45%	-1.43%	-1.77%	0.95%	0.46%

Past performance is not a reliable indicator of future performance.

¹ As at 28 March 2024. 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	\$93.02m
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	%
Incitec Pivot	4.4
Cleanaway Waste Management	4.2
CSR	3.5
Metcash	3.0
Challenger	3.0

¹ As at 28 March 2024. Excludes any small cap ETFs which may be used from time to time for cash management purposes

Asset allocation ¹	Actual %	Range %
Security	99.0	90-100
Cash	1.0	0-10

¹ Average over the quarter

Sector exposure ¹	Fund Weight % ²	Index Weight % ²	Active Weight %
Communication Services	1.6	4.4	-1.8
Consumer Discretionary	24.5	16.7	2.6
Consumer Staples	6.3	2.6	2.2
Energy	8.4	8.0	2.8
Financials	6.7	10.1	-3.1
Health Care	2.3	6.1	-3.9
Industrials	12.8	8.2	4.5
Information Technology	0.8	6.3	-4.6
Materials	29.7	24.4	2.0
Real Estate	7.1	13.2	-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 28 March 2024

Market commentary

Sharemarkets continued to trend higher during the first quarter of 2024, with any market fears of a looming global recession seeming all but eradicated. Resilient economic growth, artificial intelligence euphoria and rate-cut expectations all helped drive the equity rally to record highs. The Australian sharemarket finally managed to break through a stubborn sideways range and finish the quarter up 5.3%. Spurred by a pickup in forward-looking earnings, Information Technology (24.4%) and Real Estate (15.3%) stocks were the main contributors to performance.

The Australian small-cap sector enjoyed solid outperformance versus the broader sharemarket in Q1, returning 7.5%. This was largely driven by the greater exposure to IT and Real Estate stocks existing within small-caps, relative to the broader market. While some of Australia's favourite consumer discretionary names (Kogan, Adairs, Harvey Norman & Nick Scali) also had strong quarters. Within SMLL's portfolio, building supplies manufacturer CSR gained 34% following news of an acquisition proposal from French manufacturer Saint Gobain. While salary packaging and lease provider, McMillan Shakespeare, soared 28% following its Half Year Earnings Release.

Fund performance summary

The Fund underperformed the S&P/ASX Small Ordinaries Accumulation Index by -0.45% during the quarter. Of this -0.45% relative performance, stock selection contributed -0.01%, while sector allocation contributed -0.44%.

Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Communication Services	-2.1	-1.9	0.2
Health Care	-4.2	4.7	0.1
Consumer Discretionary	3.4	12.4	0.1
Materials	3.0	1.3	-0.1
Financials	-3.3	13.5	-0.2
Information Technology	-5.1	22.7	-0.7

The underweight position Communication Services and Healthcare were key contributors to sector allocation, while the underweight position in Information Technology 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 %
JB HI-FI Ltd	Consumer Discretionary	3.8	18.2	0.6
CSR Ltd	Materials	1.7	33.6	0.4
Neuren Pharmaceuticals Ltd	Health Care	-1.1	-15.0	0.3
Strike Energy Ltd	Energy	-0.4	-45.8	0.3
Coronado Global Resource-CDI	Materials	-0.5	-28.4	0.2

Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Nine Entertainment Co Holding Ltd	Communication Services	1.7	-14.6	-0.4
Life360 Inc-Cdi	Information Technology	-0.7	73.1	-0.4
Paladin Energy Ltd	Energy	-1.5	39.1	-0.4
Megaport Ltd	Information Technology	-0.8	62.9	-0.3
Champion Iron Ltd	Materials	1.5	-11.7	-0.3

On an individual basis, JB HI-FI Ltd was the largest contributor (returning 18.2%), and this contributed 0.57% to relative performance. Nine Entertainment Co Holding Ltd was the largest detractor (returning -14.56%), which detracted -0.41% 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

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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

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