



Betashares Australian Small Companies Select Fund (Managed Fund)

ASX: SMLL

Quarterly Report - September 2023

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Performance ¹	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception% p.a. ²
Fund Return (net)	-3.65%	0.15%	-2.79%	8.81%	4.00%	5.43%
Growth Return	-3.65%	-1.64%	-4.54%	4.63%	-1.18%	1.39%
Income Return	0.00%	1.79%	1.75%	4.18%	5.18%	4.04%
S&P/ASX Small Ordinaries Accumulation Index	-4.04%	-1.94%	-2.47%	6.85%	2.57%	4.74%
Active Return	0.39%	2.09%	-0.32%	1.96%	1.43%	0.69%

Past performance is not a reliable indicator of future performance.

¹ As at 30 September 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	\$72.49m
Historical Tracking Error (annualised)	0.74%
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	%
Qube Holdings Ltd	3.7
JB HI-FI Ltd	3.5
New Hope Corp Ltd	3.3
Metacash Ltd	3.0
Iluka Resources Ltd	2.9

¹ As at 30 September 2023. Excludes any small cap ETFs which may be used from time to time for cash management purposes

Asset allocation ¹	Actual %	Range %
Security	97.5	90-100
Cash	2.5	0-10

¹ Average over the quarter

Sector exposure ¹	Fund Weight % ²	Index Weight % ²	Active Weight %
Communication Services	3.3	4.9	-1.6
Consumer Discretionary	18.9	17.3	1.6
Consumer Staples	5.4	3.5	2.0
Energy	11.2	7.9	3.3
Financials	6.9	10.2	-3.3
Health Care	4.2	7.3	-3.1
Industrials	12.9	8.2	4.7
Information Technology	0.7	5.8	-5.1
Materials	25.0	22.8	2.2
Real Estate	11.5	12.1	-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 30 September 2023

Market commentary

Q3 provided a strong start for Australian shares after lower-than-expected CPI data cooled expectations of further interest rate hikes. Momentum stalled, however, as local bond yields were dragged higher amid a rout in global bonds, and surging oil prices, once again, had the market contemplating the future direction of inflation and interest rates. The Australian sharemarket eventually ended the quarter down -0.77%, with rate-sensitive sectors such as Health Care and Information Technology key contributors to the fall. Energy companies were one of the few shining lights of the quarter, benefiting from the tick up in Oil prices.

The Australian small-cap sector lagged the broader market returning -1.96%, which was partly driven by a sell-off in small-cap Real Estate and Mining, as well as strong performance from certain large-cap Financials like NAB & ANZ. Within SMLL's portfolio, coal miner Stanmore Resources gained 43.4% following positive operating results and inclusion in the ASX 300. While Aussie Broadband climbed 37.92% for the quarter following improved earnings guidance for FY24.

Fund performance summary

The Fund outperformed the S&P/ASX Small Ordinaries Accumulation Index by 2.1% during the quarter. Of this 2.1% relative performance, stock selection contributed 1%, while sector allocation contributed 1.1%.

Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Energy	3.6	27.4	0.9
Health Care	-2.9	-7.7	0.2
Consumer Discretionary	1.4	3.9	0.1
Information Technology	-4.5	-0.1	-0.1
Materials	1.2	-9.2	-0.1
Communication Services	-2.0	4.4	-0.1

The overweight position in Energy and underweight position in Health Care were key contributors to sector allocation, while the underweight position in Communication Services 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 %
Chalice Mining Ltd	Materials	-0.7	-62.9	0.6
New Hope Corp Ltd	Energy	1.6	30.9	0.5
Core Lithium Ltd	Materials	-0.5	-55.0	0.4
Star Entertainment Grp Ltd/T	Consumer Discretionary	-0.6	-42.9	0.3
Yancoal Australia Ltd	Energy	1.5	21.2	0.3

Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Iluka Resources Ltd	Materials	3.5	-30.6	-1.2
Paladin Energy Ltd	Energy	-1.0	-50.7	-0.5
Pro Medicus Ltd	Health Care	-1.5	-27.3	-0.4
Ansell Ltd	Health Care	2.3	-15.8	-0.4
Megaport Ltd	Information Technology	-0.7	-63.0	-0.3

On an individual basis, Chalice Mining Ltd was the largest contributor (returning -62.94%), and this contributed 0.57% to relative performance. Iluka Resources Ltd was the largest detractor (returning -30.63%), which detracted -1.2% 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.

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