

BETASHARES AUSTRALIAN SMALL COMPANIES SELECT FUND (MANAGED FUND) ASX: SMLL

Quarterly Report - December 2022

Performance ¹	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Inception ² % p.a.
Fund Return (net)	-2.51%	9.31%	6.70%	-17.34%	4.50%	6.24%
Growth return	-2.51%	9.31%	2.40%	-21.54%	-0.26%	2.35%
Income return	0.00%	0.00%	4.30%	4.20%	4.76%	3.89%
S&P/ASX Small Ordinaries Accumulation Index	-3.73%	7.54%	7.03%	-18.38%	1.38%	5.49%
Active Return	1.22%	1.77%	-0.33%	1.04%	3.12%	0.75%

Past performance is not a reliable indicator of future performance.

¹ 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

Fund Facts

Inception Date	7-Apr-17
Fund Size	\$71.51m
Historical Tracking Error	0.70%
ASX Code	SMLL
Bloomberg Code	SMLL AU Equity
IRESS Code	SMLL.ASW

Distribution frequency

Semi-annual

Fees	% p.a.
Management fees	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.

Suggested minimum investment timeframe

At least five years

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	%	Asset Allocation ¹	Actual %	Range %
BENDIGO AND ADELAIDE BANK	5.0	Security	98.3	90-100
WORLEY LTD	4.5	Cash	1.7	0-10
ALTium LTD	3.6	¹ Average over the quarter		
JB HI-FI LTD	3.6			
SEVEN GROUP HOLDINGS LTD	3.4			

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

Sector exposure ¹	Fund Weight % ²	Index Weight % ²	Active Weight %
Energy	11.6	6.0	5.6
Consumer Staples	8.3	4.4	3.9
Consumer Discretionary	15.2	13.6	1.6
Industrials	7.7	7.9	-0.2
Financials	12.6	11.3	1.3
Materials	25.0	24.7	0.3
Communication Services	3.6	5.2	-1.6
Information Technology	5.5	7.0	-1.5
Health Care	1.7	6.6	-4.9
Real Estate	8.8	13.3	-4.5
Utilities	0.0	0.0	0.0
TOTAL	100.00	100.00	0.00

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

² As at 31 December 2022

Market commentary

Australian equities rallied 9.40% in Q4 to cap off what has otherwise been a challenging year for most major asset classes. With persistently high inflation forcing the hand of Central Banks to rapidly increase target cash rates from near zero, we witnessed an abrupt downward spiral of equity valuations and multiple compression within share markets. Over the course of 2022, the Australian share market held up relatively better than its global counterparts, helped largely by the outperformance from natural resources and a highly resilient banking sector.

Within Australia, the small-cap sector slightly lagged the broader market in Q4 returning 7.54% which was partly driven by the under-performance of asset managers. Within SMLL's portfolio, Champion Iron (CIA) gained 54.8% during the quarter as it announced record production levels through Q2. While Sandfire Resources (SFR) also had an impressive quarter (+47.3%), after a capital raising and restructuring of key operations and personnel were all well received by the market.

Fund performance summary

The Fund outperformed the S&P/ASX Small Ordinaries Accumulation Index by 1.8% during the quarter. Of this 1.8% relative performance, stock selection contributed, while sector allocation detracted return.

Top contributors and detractors from sector allocation

Sector Name	Active Weight %	Index Return %	Sector Contribution %
Information Technology	-2.2	3.3	0.1
Communication Services	-1.3	6.8	0.0
Financials	0.8	4.8	0.0
Energy	5.4	2.6	-0.3
Real Estate	-4.7	11.8	-0.2
Consumer Staples	3.8	3.6	-0.2

The underweight position in Information Technology and Communication Services contributed to sector allocation while an overweight position in Energy detracted from relative performance.

Top contributors and detractors from security selection

Key contributors

Security Name	Sector	Active Wgt %	Stock Return %	Value added %
Bendigo and Adelaide Bank	Financials	4.7	25.9	0.8
Worley Ltd	Energy	4.4	17.8	0.4
Champion Iron Ltd	Materials	0.9	54.8	0.4
Seven Group Holdings Ltd	Industrials	1.9	23.7	0.3
Ioneer Ltd	Materials	-0.4	-40.2	0.3

Key detractors

Security Name	Sector	Active Wgt %	Stock Return %	Value added %
Downer EDI Ltd	Industrials	2.2	-18.8	-0.6
Reliance Worldwide Corp Ltd	Industrials	1.5	-12.7	-0.3
Chalice Mining Ltd	Materials	-0.7	60.3	-0.3
Orora Ltd	Materials	2.2	-3.7	-0.3
Telix Pharmaceuticals Ltd	Health Care	-0.7	53.7	-0.3

On an individual basis, Bendigo and Adelaide Bank was the largest contributor (returning 25.93%), and this contributed 0.78% to relative performance. Downer EDI Ltd was the largest detractor (returning -18.82%), which detracted -0.64% from relative performance.

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