



# Betashares Australian Small Companies Select Fund (Managed Fund)

**ASX: SMLL**

**Quarterly Report - June 2024**

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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)	0.80%	-4.02%	2.79%	10.82%	-0.54%	6.33%
Growth Return	0.80%	-4.02%	0.98%	6.91%	-5.77%	2.42%
Income Return	0.00%	0.00%	1.81%	3.91%	5.23%	3.91%
S&P/ASX Small Ordinaries Accumulation Index	-1.39%	-4.46%	2.75%	9.34%	-1.55%	5.82%
Active Return	2.19%	0.44%	0.04%	1.48%	1.01%	0.51%

Past performance is not a reliable indicator of future performance.

<sup>1</sup> As at 28 June 2024. 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	\$91.31m
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 <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>	%
Incitec Pivot	4.9
Cleanaway Waste Management	4.9
Challenger	3.3
Perseus Mining	3.2
Metcash	3.1

<sup>1</sup> As at 28 June 2024. 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	99.1	90-100
Cash	0.9	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 %
Materials	1.6	5.5	-3.9
Consumer Discretionary	24.7	16.3	8.4
Industrials	6.6	2.7	3.9
Energy	9.2	5.4	3.7
Financials	7.7	11.0	-3.4
Real Estate	2.7	7.6	-4.9
Consumer Staples	13.5	8.1	5.4
Health Care	0.8	6.6	-5.8
Communication Services	26.1	23.6	2.5
Information Technology	7.2	13.2	-6.0
Utilities	0.0	0.0	0.0
TOTAL	100	100	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 28 June 2024

## Market commentary

Some investor caution crept into the Australian sharemarket during Q2, after a modest increase in the probability of a near-term rate hike. A slew of hotter-than-expected economic releases, including CPI and retail sales, shifted the monetary policy outlook to neutral/contractionary, which is contrary to the neutral/expansionary trend that we are now seeing more globally. The Australian sharemarket ended the quarter 1.1% lower, led lower by Energy (-6.8%) and Real Estate (-6%).

The Australian small-cap sector was hit much harder than the broader sharemarket, falling 4.5% for the quarter. This was partly driven by a greater exposure to the poor-performing Energy and Real Estate sectors within small-caps, as well as an under-representation of Australian banks, which performed strongly. Within SMLL's portfolio, gold miners West African Resources (+34.2%), Silver Lake Resources (+23.8%) and Emerald Resources (+20.5%) were all able to benefit from gold prices taking a leap higher during Q2, while coal miner Yancoal also increased 26.3% following the release of its annual report.

## Fund performance summary

The Fund outperformed the S&P/ASX Small Ordinaries Accumulation Index by 0.44% during the quarter. Of this 0.44% relative performance, stock selection contributed 1.36%, while sector allocation contributed -0.92%.

### Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Materials	4.9	25.0	0.2
Real Estate	-6.2	13.1	0.2
Consumer Staples	3.9	2.6	0.1
Financials	-3.2	10.1	-0.1
Consumer Discretionary	7.9	15.7	-0.6
Health Care	-4.2	6.7	-0.6

The overweight position in Materials and underweight position in Real Estate were key contributors to sector allocation, while the underweight position in Health Care 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 %
Yancoal Australia Ltd	Energy	1.8	0	0.6
Cleanaway Waste Management Ltd	Industrials	4.5	0	0.3
Incitec Pivot Ltd	Materials	4.6	0	0.2
New Hope Corp Ltd	Energy	1.3	1.0	0.2
Perseus Mining Ltd	Materials	1.7	1.2	0.2

#### Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Orora Ltd	Materials	2.5	0	-0.8
Reliance Worldwide Corp Ltd	Industrials	2.2	0	-0.4
Metcash Ltd	Consumer Staples	3.1	0	-0.3
Beach Energy	Energy	1.4	1.0	-0.2
Champion Iron Ltd	Materials	1.5	1.0	-0.1

On an individual basis, Yancoal Australia Ltd was the largest contributor (returning 26.3%), and this contributed 0.56% to relative performance. Orora Ltd was the largest detractor (returning -27.6%), which detracted -0.76% 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.

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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](http://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](http://www.betashares.com.au/target-market-determinations).

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