



Betashares Australian Small Companies Select Fund (Managed Fund)

ASX: SMLL

Quarterly Report - September 2024

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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)	4.22%	8.39%	4.04%	19.94%	1.95%	7.25%
Growth Return	4.22%	6.92%	2.62%	16.22%	-2.14%	3.25%
Income Return	0.00%	1.47%	1.42%	3.72%	4.09%	4.00%
S&P/ASX Small Ordinaries Accumulation Index	5.06%	6.53%	1.78%	18.79%	-0.57%	6.51%
Active Return	-0.84%	1.86%	2.26%	1.15%	2.52%	0.74%

Past performance is not a reliable indicator of future performance.

¹As at 30 September 2024. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

²Inception 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	\$92.47m
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

¹A 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	4.8
Cleanaway Waste Management	4.7
Challenger	3.2
Perseus Mining	3.1
Metcash	3.0

¹As at 30 September 2024. Excludes any small cap ETFs which may be used from time to time for cash management purposes

Asset allocation ¹	Actual %	Range %
Security	98.3	90-100
Cash	1.7	0-10

¹Average over the quarter

Sector exposure ¹	Fund Weight % ²	Index Weight % ²	Active Weight %
Materials	27.4	27.5	-0.1
Consumer Discretionary	24.3	24.2	0.0
Industrials	13.2	13.2	0.0
Energy	9.0	9.0	0.0
Financials	7.5	7.5	0.0
Real Estate	7.1	7.1	0.0
Consumer Staples	6.5	6.5	0.0
Health Care	2.7	2.7	0.0
Communication Services	1.6	1.6	0.0
Information Technology	0.8	0.8	0.0
TOTAL	100	100	0.00

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

²As at 30 September 2024

Market commentary

During Q3, sharemarkets saw significant gains driven by easing bond yields that boosted valuations both globally and domestically. While Australia has yet to cut interest rates, fears of an impending rate hike have tempered after recent CPI reports indicated a slowdown in underlying inflation. The market now anticipates 3 rate cuts (or 0.75%) over the next 12 months. Additionally, the newly announced Chinese stimulus contributed to the local rally late in the quarter and may serve as a catalyst for earnings growth in future periods.

The Australian sharemarket closed the quarter up 7.8%, with Information Technology (16.1%) and Real Estate (14.5%) sectors experiencing particularly strong advances. While Australian small caps slightly lagged the broader sharemarket in Q3, SMLL outperformed the S&P/ASX Small Ordinaries Index, delivering an impressive 8.4% return. This strong result was primarily driven by an overweight position in Materials and superior stock selection within the Health Care sector.

Within SMLL's portfolio, packaging distributor Orora Ltd

surged 41% after rejecting a takeover bid, stating that the offer significantly undervalued the company. Wealth platform Hub24 also had an impressive quarter, rising 26% following the release of its full-year results, which highlighted strong growth in its Funds Under Administration (FUA).

Fund performance summary

The Fund outperformed the S&P/ASX Small Ordinaries Accumulation Index by 1.86% during the quarter. Of this 1.86% relative performance, stock selection contributed 3.28%, while sector allocation contributed -0.99%.

Top contributors and detractors from sector allocation

Security name	Active weight %	Index return %	Sector contribution %
Materials	3.0	6.8	3.5
Consumer Discretionary	8.1	6.8	2.5
Industrials	5.8	3.2	1.3
Communication Services	-4.0	3.3	0.1
Information Technology	-5.9	1.8	0.0
Energy	3.2	-9.4	-0.6

The overweight positions in Materials, Consumer Discretionary and Industrials were key contributors to sector allocation, while the overweight position in Energy 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 HiFi	Consumer Discretionary	3.8	18.2	0.8
CSR LTD	Materials	1.7	33.6	0.5
Metcash LTD	Consumer Staples	2.8	12.0	0.3
Harvey Norman	Consumer Discretionary	1.5	22.6	0.3
Premier Investments	Financials	1.1	21.6	0.3

Key detractors

Security name	Sector	Active weight %	Stock return %	Value added %
Paladin Energy LTD	Materials	-1.5	39.1	-0.5
Life360 Inc	Information Technology	-0.7	73.2	-0.5
Megaport LTD	Information Technology	-0.8	62.9	-0.4
Telix Pharmaceuticals LTD	Health Care	-1.3	27.9	-0.3
Nine Entertainment	Communication Services	1.7	-14.6	-0.3

On an individual basis, JB HiFi was the largest contributor (returning 18.2%), and this contributed 0.79% to relative performance. Paladin Energy LTD was the largest detractor (returning 39.09%), which detracted -0.49% 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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