

# Macquarie Australian Emerging Companies Fund

Monthly Report – December 2019

## Investment objective

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (**Index**) over the medium to long term (before fees). It aims to provide capital growth and some income.

## Fund performance to 31 December 2019

	Total Gross Fund Returns	Total Net Fund Returns*	Benchmark Returns **	Total net excess returns
1 month (%)	-0.60	-0.69	-0.29	-0.40
3 months (%)	3.21	2.01	0.76	1.25
6 months (%)	17.76	13.87	3.89	9.98
1 year (%)	44.93	38.77	21.36	17.41
2 years (% pa)	21.05	17.00	5.28	11.72
3 years (% pa)	23.38	19.57	9.98	9.59
Since inception (% pa)	21.92	18.23	10.33	7.90

Past performance is not a reliable indicator of future performance especially as a result of changes to the Fund's investment strategy of effective 18 December 2017. Please contact your financial adviser for further information

\*Net returns are quoted after the deduction of all fees and expenses. Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions. Due to individual investor circumstances, your net returns may differ from the net returns quoted above.

\*\*The benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

The management fee was reduced to 1.00% as at 15 December 2017.

## Fund highlights

The Fund finished the month down 0.69% (post fees), underperforming the benchmark which finished down 0.29%.

The largest contributors to relative performance for the month included overweight positions in Temple & Webster (TPW), Citadel Group (CGL) and Electro Optic Systems (EOS).

Software and services company, CGL, rose after it announced that it had signed an extension for Auslab, its laboratory information system, to continue operating for Queensland Health through to 2029.

The greatest detractors from relative performance included overweight positions in Atomos (AMS), Catapult Group (CAT) and Paradigm Biopharmaceuticals (PAR).

Video tech specialist, AMS, fell despite announcing that it had teamed up with Nikon to bring a new recording solution to the market which provides cinema quality and editing control.

As at 31 December 2019, the largest overweight positions in the Fund were APN Convenience Retail REIT (AQR), Electro Optical Systems (EOS), and Temple & Webster (TPW).

## Market overview

The ASX Small Ordinaries Accumulation Index slipped 0.29%, outperforming the ASX 200 Accumulation Index which fell 2.17%.

Global equity markets on the other hand continued their march higher in December, with the Emerging Markets Index up 5.8%, outperforming the Developed Market Index, which rose by 2.3%, in local currency terms. Energy, IT and Materials outperformed while REITs, Industrials and Communication Services underperformed. December saw two major political events with US president Donald Trump impeached by the House of Representatives and Boris Johnson's Conservative Party winning the UK Election in a landslide victory. On the 20th of December the Brexit deal proposed by Johnson's party was approved, opening the door for the UK to exit the European Union by the end of January.

### Top 5 overweight positions (alphabetical)

APN Convenience Retail REIT

Electro Optic Systems Holdings Limited

EML Payments Limited

Propel Funeral Partners Ltd

Temple & Webster Group Ltd

Australian equities underperformed global equities and were the only major developed market to fall over the month of December. Materials and Utilities were the only sectors to record gains, while Consumer Staples were the biggest underperformer falling 8.1% over the month. Strong Resources/Energy companies this month included Northern Star Resources (+17.9%), Fortescue Metals Group (+9.9%), Beach Energy (+4.6%) and Rio Tinto (+3.6%). Typically, defensive consumer staples didn't fare so well with Woolworths (-9.1%) and Coles Group (-8.7%) both falling sharply over the month.

Commodities posted stronger results in December with iron ore rising US\$5/t to US\$92/t, the gold price rose US\$88.60 to US\$1,549/oz and Oil rose US\$6.17 to US\$68.60/bbl. In the domestic economy, the RBA maintained the cash rate at 0.75%. House prices continued to rise rapidly with CoreLogic reporting a broad-based recovery in both units and houses. On the other hand, retail sales continued to disappoint, missing expectations.

### Outlook

Global economic conditions remain mixed and uncertain, with rising tensions between the US and the Middle East and ongoing trade tensions between the US and China. In Europe all eyes will be on the expected exit of the UK from the European Union and its impact to trade in the region and abroad. In Australia, significant focus will be on helping those in need following the recent bush fires.

**Available platforms include:**

- BT Wrap
- BT Panorama
- Asgard
- Netwealth
- PowerWrap
- Praemium

Unit prices	
Application price	\$1.6439
Redemption price	\$1.6275
NAV price	\$1.6357

Fund details	
APIR Code	MAQ7203AU
Inception date	27 October 2016
Fund size	\$56.4m
Distribution frequency	Quarterly
Management fee*	1.00%
Performance fee*	20% of the cumulative outperformance of the Fund (after management fee and expenses) above the return of the Index, subject to a 'high watermark'
Buy/Sell spread	+0.50% / -0.50%

\* Read the Offer Document for more details on fees and expenses that may be charged.

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFS Licence 238321 is the issuer of units in, and responsible entity of the Fund. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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