

Aberdeen Standard Global Smaller Companies Fund

Monthly factsheet - performance data and analytics to 30 June 2020



Investment objective

To outperform the benchmark, the MSCI All Country World Small Cap Index (Australian dollars unhedged), over rolling three year periods, by primarily investing in shares of smaller companies listed on global stock markets.

Investment strategy

The Fund will invest in the Underlying Fund and may hold up to 5% of its assets in money market instruments, cash or collective investment schemes investing in money market instruments or cash.

The Underlying Fund seeks to achieve its investment objective of outperforming the MSCI All Country World Small Cap Index (USD) benchmark before charges, by primarily investing in global smaller company equities and equity related securities of corporations registered on recognised stock exchanges. The Underlying Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes. The Underlying Fund typically holds a concentrated portfolio of stocks and is actively managed by the Global Smaller Companies investment team, who will select stocks to try to take advantage of opportunities they have identified. Due to the nature of the companies in which the Underlying Fund invests, investors must be willing to accept a relatively high degree of stock specific risk. The Underlying Fund may use derivatives for efficient portfolio management (including hedging).

Performance (%)

	1 Month	3 Months	1 Year	Per annum		
				3 Years	5 Years	Since Inception ¹
Aberdeen Standard Global Smaller Companies Fund net returns ²	-0.11	16.06	N/A	N/A	N/A	3.56
Aberdeen Standard Global Smaller Companies Fund gross returns ³	-0.04	16.30	N/A	N/A	N/A	4.04
MSCI AC World Small Cap (unhedged in AUD)	-0.45	11.11	N/A	N/A	N/A	-10.11
Net returns ² vs index	0.34	4.95	N/A	N/A	N/A	13.67
Gross returns ³ vs index	0.41	5.19	N/A	N/A	N/A	14.15

1. This figure represents the performance of the fund from the first full month of operation.

2. Net performance figures are calculated using end-of-month exit prices, post standard fees, reflect the annual reinvestment of distributions and make no allowance for tax. If investing through an IDPS Provider, the total after fees performance returns of your investment in the Fund may be different from the information we publish due to cash flows specific to your portfolio and any fees charged by the IDPS Provider.

3. Gross performance figures are calculated using end-of-month exit prices, pre-fees, reflect the annual reinvestment of distributions and make no allowance for tax. These returns are provided for the purpose of wholesale investors only. Retail investors should refer to net returns.

Past performance is not a reliable indicator of future result.

Performance review

The Fund returned -0.04% in June (before fees), outperforming the benchmark by 0.41%.

Positive performance for global small caps

The Fund outperformed its benchmark over the month. Stock selection was the largest driver of performance.

Top ten holdings (%)

	Fund	Index
Kornit Digital	4.0	0.0
Nihon M&A Center	4.0	0.0
Chegg	3.9	0.1
Appen	3.8	0.0
Axon Enterprise	3.7	0.1
Pool	3.2	0.2
Insulet	3.2	0.0
Voltronic Power Technology	3.1	0.0
Mani	2.8	0.0
Sinbon Electronics	2.8	0.0
Total	34.5	0.4

Sector breakdown (%)

	Fund	Index
Information Technology	29.5	14.7
Industrials	29.3	16.8
Health Care	13.7	12.5
Consumer Discretionary	11.9	12.9
Financials	3.6	12.0
Consumer Staples	2.8	4.8
Communication Services	2.1	3.3
Cash and Other*	7.1	0.1
Total	100	100

Figures may not always sum to 100 due to rounding.

Country breakdown (%)

	Fund	Index
United States	43.1	51.6
Japan	11.2	10.9
United Kingdom	9.4	5.8
Taiwan	7.9	2.5
Australia	6.7	2.9
Italy	4.1	1.1
France	2.6	0.9
Korea	1.9	1.8
Poland	1.9	0.1
Germany	1.1	2.0
China	0.9	1.2
Finland	0.9	0.5
Spain	0.8	0.7
Indonesia	0.5	0.2
Cash and Other*	7.1	0.0
Total	100	100

Figures may not always sum to 100 due to rounding.

*Cash and Other - may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

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Of note, Axon Enterprise and Appen contributed to the outperformance, whereas GMO Payment Gateway and Chemed sold off.

Axon is the maker of Taser devices and body cameras for police officers. The stock gained publicity after the tragic events in the US, which led to the Black Lives Matter demonstrations. We invest in Axon as Tasers represent a step down in the use of force, particularly in the US, where Tasers are replacing live firearms. The company has been developing a range of body cameras and software to increase transparency in policing and improve accountability.

Appen is the world leader in data labelling and annotation. The stock has benefited from a spike in demand for their data services as more people work from home, and usage of social media and online search engines continues to expand. Appen's customers include Facebook, Google and Amazon.

GMO Payment Gateway's shares corrected after a period of strong outperformance. While the company's e-commerce and offline payments operations have seen healthy volumes, travel and event-related spending has dropped. The company also announced the initial public offering of its offline payment facilitator, Financial Gate. GMO Payment Gateway will retain a 65% stake.

Evolent Health lost the rebid for Passport Health Kentucky – a high profile event for Evolent Health. Management is now looking to sell off the Passport Health business. More crucially, management's credibility is being questioned over their decision making around Passport Health's initial acquisition.

Sold Evolent Health and added Dunelm

We placed two notable trades in June. We sold out of Evolent Health in light of the Kentucky contract loss. We believe the sale of Passport Health will remain an overhang on the stock and our conviction in the management team has waned.

We took an initial position in Dunelm, the UK homewares retailer. The group is well positioned in the value segment of the market and management's investment in its digital platform and marketing has been working well. We also note Dunelm's strong cash-flow generation and return metrics.

Market review

Economic activity normalises

Bullish market sentiment continued in June as activity normalised. But, this was tempered by a sharp spike in Covid-19 cases in the US. As a result, emerging markets outperformed developed markets over the month. Most notably, China, Europe, the Middle East and Asia made healthy returns, while the US and Japan lagged.

Economic indicators continue to be supportive. Indeed, the US ISM Manufacturing Purchasing Managers' Index popped up in June, pointing to expansion in the manufacturing sector and copper prices, which are generally a barometer of global growth. Job growth was also better than expected in the US. The concern now is if the bounce back stalls with a resurgence in virus cases.

While global data suggests activity recovering, such as Chinese excavator and crane sales increasing, the outlook for Europe and Japan remains tepid. India and Latin America are also a concern, as virus cases are not yet under control and the governments have been slow to act.

Outlook

Small caps continue to outperform large caps

Small-cap valuations are attractive and supported outperformance versus large caps. We still favour our quality, growth and momentum approach – we believe any rotation to value will be short lived. Various forthcoming macro events are likely to lead to further uncertainty in markets: finalisation of the UK's exit from Europe; tech sector dislocation, as negotiation continues around Huawei's technology and the US election. We believe the Fund is well positioned to outperform in this uncertain environment.

Key information

APIR Code	EQI7232AU
Benchmark	MSCI AC World Small Cap (unhedged in AUD)
Date of launch	12th Dec 2019
Income payable	30 June
Management costs	1.09% pa of the net asset value of the Fund comprising: Management Fee 0.85% pa Indirect costs 0.24% pa
Buy/Sell spread	+0.21%/-0.20% *
Fund size	A\$0.24m
Redemption unit price	\$1.0378

*We may vary or waive the buy/sell spreads without notice when it is appropriate to protect the interests of existing investors and if permitted by law.

Liquidity and maturity profile of the Fund

We reasonably expect that we will be able to realise at least 80% of the assets of the Fund, at the value ascribed to those assets in calculating the Fund's net asset value, within 10 days.

Your withdrawal proceeds will be electronically deposited into your nominated Australian bank account, normally within 7 Business Days of the receipt and acceptance of the withdrawal request.

However in some circumstances, for example where the assets of the Fund are not readily realisable so as to meet the withdrawal, we are permitted by the Constitution to take a longer period of time to pay the withdrawal request.

OTC Derivative counterparties engaged

• The Fund did not engage directly with any OTC derivative counterparties between 1 July 2019 and 30 June 2020.

Client Services: 1800 636 888
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Key Service Providers

Registry	RBC Investor Services Trust
Administrator	State Street Australia Limited
Custodian	State Street Australia Limited
Auditor	KPMG

The key service providers did not change between 1 July 2019 and 30 June 2020.

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