

**MACQUARIE ASSET MANAGEMENT**

# Arrowstreet Global Small Companies Fund

Macquarie Professional Series

## A dynamic, active approach to investing in global small companies

Arrowstreet offers exposure to a diversified portfolio of global small companies, from both developed and emerging markets, which may include companies in frontier markets and micro-cap companies. The investment team seeks to outperform the benchmark by identifying information that, while relevant to a company's share price, is less obvious to the market.



### Quantitative investment approach

Implementing fundamental investment ideas at scale



### Driven by research

Seeking differentiated signals from less obvious information



### Seeking to outperform the benchmark

Looking for opportunities irrespective of market conditions

## Quantitative investment approach

Arrowstreet combines the investment intuition of their experienced team with rigorous quantitative research, with the aim of consistently outperforming the benchmark across varying market conditions. A quantitative approach enables them to implement their investment ideas dynamically across an investment universe of over 10,000 stocks. The Fund's opportunity set includes small- and micro-cap companies, located across developed, emerging and frontier markets.

The investment team seeks to outperform the benchmark by identifying investment signals or ideas that are relevant to stock prices, and less obvious to the market. The emphasis is on information that is likely to impact stock prices with a predictable and measurable lag, and that can therefore be more useful in generating outperformance. The below diagram illustrates this philosophy.

### Investment philosophy

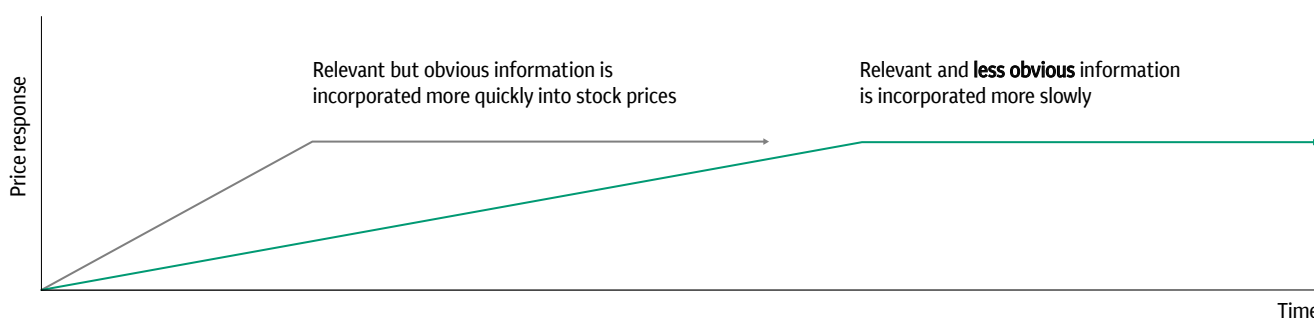


Diagram is for illustrative purposes only.

## Driven by research

As investment signals are identified in the market and increasingly commoditised, their ability to contribute to excess returns slowly disappears. For a manager to maintain an investment 'edge', they must commit to identifying new, unexploited signals that can provide useful investment insight.

Arrowstreet uses a diverse set of investment signals, incorporating information from proprietary measures within each of the six signal groups shown below. This approach allows Arrowstreet to incorporate a large amount of information in its stock price forecasts when searching for opportunities.



**Valuation  
signals**



**Momentum  
signals**



**Quality  
signals**



**Catalyst  
signals**



**Extreme  
sentiment  
signals**



**High  
frequency  
signals**

Arrowstreet's model measures a stock's expected excess return by including the following influences:

- Direct effects – characteristics of the company itself; and
- Indirect effects – characteristics of related companies linked according to Arrowstreet's proprietary linkages model, common country affiliation or common sector affiliation.

In many cases, signals based on indirect effects can be less obvious to the market than more widely used signals based on direct effects.

Arrowstreet believes that generating excess returns to outperform the benchmark requires an investment process that is guided by sound investment intuition, is disciplined yet opportunistic, and incorporates a diverse set of investment signals.

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## Reinvestment in research

Constant reinvestment in research is a key differentiating aspect of Arrowstreet's investment process; enhancements are evolutionary, not revolutionary. Arrowstreet continuously undertake research in identifying new signals, as well as refining existing signals, and measuring the changing effectiveness of signals over time. Research efforts also focus on increasing operational efficiency; by reducing transaction costs, for example, long-term returns for investors can be improved. In this way, Arrowstreet's investment strategy offers access to cutting-edge investment research.

## Seeking to outperform the benchmark

Arrowstreet believes that equity markets are inefficient, and that a well-conceived investment process can generate excess returns relative to passive benchmarks. In seeking to outperform the Fund's benchmark (MSCI All Country World Small Cap ex Australia Index, in \$A unhedged with net dividends reinvested), Arrowstreet employs a benchmark-aware approach that seeks to identify opportunities and deliver consistent outperformance irrespective of market conditions.

## About Arrowstreet

Arrowstreet Capital, Limited Partnership (**Arrowstreet**) is an independent private partnership that serves as a discretionary institutional global equity manager. Arrowstreet is wholly-owned and controlled by members of the firm's senior management and non-executive directors. Arrowstreet was founded in June 1999 and its principal place of business is located in Boston, Massachusetts.



### Macquarie Professional Series – enabling local access to global specialists

The Arrowstreet Global Small Companies Fund is proudly brought to you by Macquarie Professional Series. We search the world to uncover differentiated investment solutions, enabling local investors to access strategies from world-class fund managers. We leverage our insights into the local investment landscape, seeking to anticipate investment needs and identify relevant opportunities currently overlooked in the market

## Target investors

The Fund is designed for consumers who:

- are seeking capital growth and income distribution
- are intending to use the Fund as a minor allocation or satellite allocation within a portfolio
- have a minimum investment timeframe of seven years
- have a high or very high risk/return profile for that portion of their investment portfolio, and
- require the ability to have access to capital within one week of request.

The Target Market Determination (TMD), available at [macquarie.com/mam/tmd](https://www.macquarie.com/mam/tmd), includes a description of the class of consumers for whom the Fund is likely to be consistent with their objectives, financial situation and needs.

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## Risks

All investments carry risk. Different investments carry different levels of risk, depending on the investment strategy and the underlying investments. Generally, the higher the potential return of an investment, the greater the risk (including the potential for loss and unit price variability over the short term). The risks of investing in this Fund include:

**Investment risk:** The Fund has exposure to share markets. The risk of an investment in the Fund is higher than an investment in a typical bank account or fixed income investment. Amounts distributed to unitholders may fluctuate, as may the Fund's unit price, by material amounts over short periods.

**Market risk:** The investments that the Fund has exposure to are likely to have a broad correlation with share markets in general. Share markets can be volatile and have the potential to fall by large amounts over short periods of time. Poor performance or losses in domestic and/or global share markets are likely to negatively impact the overall performance of the Fund.

**International, emerging and frontier market risk:** The Fund has exposure to a range of international economies, including emerging and frontier economies. Global and country specific macroeconomic factors may impact the investments that the Fund has exposure to. Governments may intervene in markets, industries, and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Emerging and frontier markets may experience lower liquidity (including as a result of securities or bond markets being closed for extended periods), potential for political unrest leading to recession or war, greater potential for sanctions to be imposed on the country or its citizens, companies or institutions, increased likelihood of sovereign intervention (including default and currency intervention), currency volatility, and increased legal risk. These risks are heightened for frontier markets.

**More information on the risks of investing in the Fund is contained in the Product Disclosure Statement, which should be considered before deciding to invest in the Fund.**

For more information, call us on 1800 814 523,  
email [mam.clientservice@macquarie.com](mailto:mam.clientservice@macquarie.com), or visit [macquarie.com/mam](http://macquarie.com/mam)

### Important information

The Fund(s) mentioned above may have multiple classes of units on issue. A separate class of units is not a separate managed investment scheme.

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Past performance information is for illustrative purposes only and is not a reliable indicator of future performance. Current performance information for each class of units in the Fund(s) is available on our website at [macquarie.com/mam/au-performance](http://macquarie.com/mam/au-performance).

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