Contactus@
ausbil.com.au

ausbil

Ausbil MicroCap Fund

Quarterly performance update

June 2024

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

Returns[1] as at 30 June 2024

Period	1 month	3 months	6 months	1 year	2 years pa	3 years pa	5 years pa	7 years pa	10 years pa	Since Inception pa[2]
Fund return %	4.28	4.63	24.32	33.53	17.71	6.80	12.81	15.40	15.23	20.05
Benchmark[3] %	-3.73	-0.46	5.51	5.29	6.32	1.56	10.35	10.07	9.06	4.54
Out/under performance %	8.01	5.09	18.81	28.24	11.39	5.24	2.46	5.33	6.16	15.51
Reference Index[4] %	-1.39	-4.46	2.75	9.34	8.89	-1.55	3.70	6.15	6.45	4.43
Out/under performance %	5.67	9.09	21.56	24.19	8.81	8.35	9.10	9.25	8.78	15.62

‘We continue to see an attractive investment case for smaller companies as moderating inflation, improving earnings growth and a pick-up in capital market activity should help close the performance gap to large caps’

Performance Review

Fund performance for the quarter ending June 2024 was +4.63% (net of fees) versus the benchmark return of -0.46%, as measured by the S&P/ASX Emerging Companies Accumulation Index and the reference index return of -4.46% as measured by the S&P/ASX Small Ordinaries Accumulation Index.

A strong June quarter capped off a pleasing Financial Year for the Fund, which returned +33.53% (net of fees), outperforming the Emerging Companies Benchmark by +28.24% (net of fees). Key contributors to performance for the year included core positions in **Life360**, **Tuas**, and **MMA Offshore**, partially offset from poor performances in **29Metals**, **Praemium**, and **DGL Group**.

Despite rallying from their lows in October, smaller companies underperformed their larger peers for the year with the resource-heavy Emerging Companies Benchmark up +5.24% relative to the ASX 100 returns of +12.23%. The macroeconomic environment has become less prohibitive, creating a more favourable climate for stock-picking than in recent years. We continue to see an attractive investment case for smaller companies as moderating inflation, improving earnings growth and a pick-up in capital market activity should help close the performance gap to large caps.

The Fund ended the period fully invested with 41 holdings and a Top 10 concentration of 49%. After a successful Financial Year, the Fund continues to identify and invest in companies with mispriced earnings growth. Notably, we are excited by the prospects of **DUG Technologies**, which is in the embryonic stage of its growth journey as it expands into the Middle East and also **Aussie Broadband** which has rebased after losing a key contract. Now the setup is compelling for the company to exceed market expectations around market share gains in the retail broadband market.

This quarter, the largest positive contributors to performance were Generation Development Group and Life360. Negative contributors included Temple & Webster and Boss Energy.

Key Contributors

Generation Development Group (GDG) had a strong quarter, returning +33.3% from its placement price to acquire the remaining shares in Lonsec not already owned by the company. GDG is a specialist provider of financial solutions led by a strong team in Chair Rob Coombe and CEO Grant Hackett. Historically known for its leading investment bond product, GDG has diversified through the acquisition of Lonsec, providing strategic exposure to the fast-growing managed account market. Having followed the story for some time, we believe the full acquisition of Lonsec is strategically sound and positions GDG for a period of strong growth.

Life360 (360) returned +25.1% for the quarter and has been a key contributor to the Fund over the year. With the dual US NASDAQ listing successfully executed, the attention of the market can now refocus on the re-acceleration of user and subscriber growth activity. We got a hint of this momentum, as the company announced it had exceeded 2 million global paying circles in the middle of June, ahead of market half-year expectations. This is an important milestone, as it suggests that record 1st quarter user growth is translating into an acceleration of new subscriber growth.

Key Detractors

Temple and Webster (TPW) fell -28.4% over the quarter, though the Fund had materially reduced the position earlier in the year and hence was a relatively smaller detractor for the period. A value-orientated proposition and competitive pricing has driven top-line sales momentum in a difficult discretionary environment, with TPW sales materially outperforming the broader furniture and home market. Shares however pulled back following the May trading update which showed a slowdown in sales activity since the February update and a moderation in EBITDA margins to the middle of the guidance range.

Boss Energy (BOE) fell -13.4% over the quarter. Volatility was exacerbated by a selldown by management ahead of the ramp-up of production at the Honeymoon Uranium project. This was further extenuated with a moderation in global spot uranium prices.

Outlook

Central banks have maintained a steady hand, despite the somewhat choppy economic data in both Australia and the USA. The consensus has now pared back the timing of rate cuts (and quantum) in the USA and there is considerable debate as to whether a cut will eventuate in Australia, if at all. Still, a global cyclical recovery is emerging, and any rate cut (if/when they eventuate) should continue to facilitate a gradual recovery in corporate profits. This setup should continue to be accommodative for equity markets, particularly Small and Microcaps.

Top 10 Stocks[5]

1. Aussie Broadband
2. Codan
3. Genesis Minerals
4. Life360
5. Light & Wonder
6. Macquarie Technology Group
7. MMA Offshore
8. Propel Funeral
9. PSC Insurance Group
10. Tuas

1. Fund returns are net of fees and before taxes.
2. Date: February 2010.
3. S&P/ASX Emerging Companies Accumulation Index.
4. S&P/ASX Small Ordinaries Accumulation Index.
5. Top 10 stocks sorted alphabetically.

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

Contactus@
ausbil.com.au

ausbil