

# Ausbil MicroCap Fund

## Quarterly performance update

March 2025

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### Returns<sup>1</sup> as at 31 March 2025

Period	1 month	3 months	6 months	1 year	2 years pa	3 years pa	5 years pa	7 years pa	10 years pa	15 years pa	Since Inception pa <sup>2</sup>
<b>Fund return %</b>	-2.79	-0.35	3.04	17.92	20.64	5.56	22.79	13.39	14.70	19.22	19.91
<b>Benchmark<sup>3</sup> %</b>	-1.34	-2.91	-2.82	5.98	4.56	-4.71	20.80	7.81	10.09	4.47	4.74
<b>Out/under performance %</b>	-1.45	2.55	5.86	11.95	16.08	10.27	1.98	5.59	4.61	14.75	15.17
<b>Reference Index<sup>4</sup> %</b>	-3.60	-2.00	-2.99	-1.26	6.01	-0.82	10.24	4.49	6.31	4.06	4.43
<b>Out/under performance %</b>	0.82	1.65	6.04	19.19	14.62	6.38	12.55	8.90	8.39	15.16	15.48

'As bottom-up fundamental investors, we resist the temptation to react to short-term noise'

### Performance Review

Fund performance for the quarter ending March 2025 was -0.35% (net of fees) versus the benchmark return of -2.91%, as measured by the S&P/ASX Emerging Companies Accumulation Index, and the reference index return of -2.00% as measured by the S&P/ASX Small Ordinaries Accumulation Index.

The March quarter was characterised by significant volatility and uncertainty due to tariff concerns and signs of a potential economic slowdown. Market sentiment waned which is a far cry from the euphoria that followed President Trump's election victory late last year. After the most volatile reporting season in some time, March saw expensive and consumer-facing stocks sell off, with a rotation into defensives and resources, particularly gold given its perceived safe-haven characteristics. Despite the volatility, no wholesale changes have been made to the Fund, including positioning. We have been using this as an opportunity to "high-grade" the Fund by adding to conviction names such as **Aussie Broadband, Codan, Maas Group** and **Tuas**.

Pleasingly, the Fund broadly preserved capital in very challenging conditions, down -0.35% for the quarter, outperforming the Emerging Companies and Small Ordinaries Index. Compositionally, the Small Ordinaries Industrials Index fell -6.0% over the March quarter while the Small Ordinaries Resources Index was up +9.1%. Despite the Fund being underweight Resources, which outperformed the Emerging Companies index strongly, we are pleased to have still outperformed the benchmark.

Contribution over the quarter came from longstanding high conviction names in the Fund and the gold space, including **Generation Development Group, Ora Banda Mining** and **Imdex**. Detractors for the quarter include **Maas Group Holdings, Zip Co** and **Appen**.

### Key Contributors

**Generation Development Group** (GDG) had a stellar start to the year, up +40.2% over the quarter. This came on the back of the strategically and financially accretive acquisition of Evidentia, as well as another strong earnings beat in February. Evidentia complements the existing offering of Lonsec and cements GDG's leadership as the largest, at-scale provider in the fast-growing managed account market, which is expected to grow at an ~17-20% industry CAGR over the medium-term.

**OraBanda Mining** (OBM) had a phenomenal quarter, up +67.8%. OBM operates the 100% owned Davyhurst Gold Project (DGP) in Western Australia's Eastern Goldfields. OBM is rapidly establishing itself as a significant gold producer already, on its way to hitting 100koz in FY25, pushing to 150koz in FY26. The appointment of Luke Creagh, former COO of Northern Star Resources, as MD/CEO, is a key strategic advantage in our opinion. Since Luke started his tenure as CEO, the share price has increased almost thirty-fold. We believe OBM is positioned for additional expansionary and exploratory activities within the Australian gold space as it looks to increase its reserves and resource base across its tenements over 2025. Coupled with favourable gold market conditions, OBM is poised to generate substantial cash flows.

### Key Detractors

**Maas Group Holdings** had a disappointing quarter, falling -24.4% after downgrading full-year earnings guidance at its result in February, largely due to the delay of major civil projects. Project delays will be resolved in time and there are early signs the bulk of major projects will commence in 2H25. Maas Group is now trading at a very attractive valuation of <12x FY26 PE for ~25% 2-year EPS CAGR, and owner-operator Wes Maas, is aligned and incentivised to maximise shareholder returns. The Fund added to the position during the quarter.

**Zip Co** (ZIP) fell hard, falling -45.6% over the quarter, triggered initially by a quarterly result in January that fell short of high market expectations. While the US business, which is the core growth driver, beat high expectations on both TTV and revenue, higher operating costs and a muted Australian performance saw a large EBITDA miss for the quarter and a savage share price reaction, despite only modest full-year earnings revisions. The position size had been managed ahead of the share price volatility, however, we now note the valuation has now pulled back to a record low ~14x PE and represents compelling value, in our view.

### Outlook

The rollercoaster of volatility continued into March, against the backdrop of fluid macro-economic data and the impending and uncertain outcome of reciprocal Tariffs announced by President Trump. We acknowledge that macro conditions are inherently difficult to predict—whether it's interest rates, geopolitical events, or policy shifts. As bottom-up fundamental investors, we resist the temptation to react to short-term noise. Rather, we focus on what we can control: rigorous bottom-up analysis, understanding the businesses we own, and maintaining discipline in our investment process. By prioritising, quality companies with strong balance sheets and high returns on capital, we aim to limit drawdowns, positioning the Fund for strong recovery and long-term outperformance. Staying grounded in fundamentals, rather than emotions, is key to navigating market volatility.

### Top 5 Stocks<sup>5</sup>

1. Aussie Broadband
2. Codan
3. Generation Development Group
4. Maas Group
5. Ora Banda Mining

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 5 stocks sorted alphabetically.



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