

Ausbil Australian SmallCap Fund

Quarterly performance update

December 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

'Calendar year 2024 was undoubtedly a great year for active small and micro-cap investors'

Performance Review

Fund performance for the quarter ending December 2024 was +4.50% (net of fees) versus the benchmark return of -1.01%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

Calendar year 2024 was undoubtedly a great year for active small and micro-cap investors with the Fund delivering +29.74% (net of fees), outperforming the Small Ordinaries Accumulation Index +8.36%. Headwinds from monetary policy tightening in 2022 and 2023 have now firmly swung to tailwinds with monetary policy easing globally, providing active small-cap investors with clear conditions for stock picking.

2024 was a year to carefully pick which ball to hit, as opposed to attempting to hit every ball. The Fund's 2024 scorecard reflected this, with the largest detractor smaller than the Fund's 10th largest winner. Winners were led by **Life360** (+198%), **HUB24** (+95%), **Tuas** (+99%), **Pinnacle** (+136%), **Codan** (+93%) – all existing positions leading into 2024. These remain high conviction positions heading into 2025 along with **Aussie Broadband** and **Maas Group** that are yet to deliver meaningfully but which we retain on high conviction. Since inception, the Fund has returned +24.54%p.a. (net of fees), outperforming the Small Ordinaries return of +8.34%.

Despite an eventful December quarter, the Ausbil SmallCap Fund outperformed. Key Fund contributors were high conviction positions, many of which have been mainstays of the Fund over the course of the year, including **Life360**, **Generation Development**, **HUB24**, **Genesis Minerals** and **Superloop**. Detractors included **WEB Travel Group**, **Sandfire Resources** and **IPD Group**.

The Fund ended the quarter with 38 holdings and a top-10 concentration of 40%.

Key Contributors

Generation Development Group (GDG) delivered strong returns, up +27.2% for the quarter. In October, GDG announced an exceptional start to the 2025 financial year with record inflows for the quarter, including over \$200m in gross investment bond inflows, with FUM growing to almost \$3.6b. Lonsec, now wholly owned by GDG, reported \$11.7b in FUM at quarter end, another record, driven by a combination of strong inflows and market growth. Having been early investors in HUB24 (HUB) since an ex-200 micro-cap, we believe GDG is following in similar footsteps, and the Fund is positioned accordingly. S&P/ASX 300 inclusion is expected in March 2025.

Life360 (360) had another strong quarter, up +19.0% for the final quarter of the year. The result delivered ahead of already high expectations on core metrics such as MAUs and paying circles; however, a miss in the lumpy and lower quality Hardware business took some glimmer off the overall result and saw the stock trade off post-result. We believe the stock is back to trading on fundamentals, where we remain constructive, noting still strong underlying app download data and positive overall momentum in the business. 360 remains the highest conviction position in the Fund.

Key Detractors

Web Travel Group (WEB) was hammered, falling -37.6% over the quarter after a second material downgrade in as many months. Reassuringly, at WEB's 1H25 result in November, the company said that margins had stabilised and provided earnings guidance, which was above consensus forecasts, as well as announcing a buyback. This restores some confidence and saw the stock recovering off the lows. With revenue margin having now stabilised, a heavily net cash balance sheet and a global opportunity for continued market share gain in the wholesale accommodation space, we remain positively disposed to Web Travel Group.

IPD Group (IPG) was hit hard, falling -23.8% over the quarter after providing disappointing 1H25 guidance in November which fell short of consensus expectations. While this was disappointing, pleasingly, IPD Group continues to outperform a subdued market, and the strong order book underwrites future growth.

Outlook

As we look into calendar year 2025, we are still of the view that interest rates have peaked and the broader economic growth outlook remains robust, both supportive conditions for small and micro-cap companies. Historically, lower interest rates have led to small cap outperformance and we believe there is still significant performance catch up still to play out, especially relative to large-cap equities. However, there will be a high degree of dispersion between geographies, industries and companies within certain sectors, making judicious stock selection especially important – as always. United States President Elect Donald Trump's impending inauguration on the 20th of January and subsequent announcements will be eagerly watched by market participants, as will the path of the US and other central banks on global monetary policy. We continue to believe the global rate cutting cycle will alleviate broader concerns of a 'hard landing' with a reacceleration of growth in 2025.

Returns¹ as at 31 December 2024

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	-2.87	-3.07	0.21
3 months	4.50	-1.01	5.51
6 months	12.75	5.46	7.30
1 year	29.74	8.36	21.38
2 years pa	19.79	8.09	11.70
3 years pa	7.70	-1.57	9.27
4 years pa	15.38	2.75	12.63
Since inception pa Date: 30 April 2020	24.54	8.34	16.19

Top 10 Stocks³

1. Aussie Broadband	6. Life360
2. Codan	7. Maas Group
3. Generation Development Group	8. Pinnacle Investment Management
4. Genesis Minerals	9. Tuas
5. HUB24	10. Zip

1. Fund returns are net of fees.
2. S&P/ASX Small Ordinaries Accumulation Index.
3. Top 10 stocks sorted alphabetically.



Subscribe to our monthly updates here



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

This material is issued by Ausbil Investment Management Limited (Ausbil) ABN 26 076 316 473, AFSL 229722 as at December 2024 and is subject to change. The material is not intended to provide you with financial product advice. It does not take into consideration the investment objectives, financial situation or needs of any person. For this reason, you should, before acting on this material, obtain professional advice from a licensed financial adviser and read the relevant Product Disclosure Statement which is available at www.ausbil.com.au and the target market determination which is available at www.ausbil.com.au/invest-with-us/designand-distribution-obligations. Past performance is not a reliable indicator of future performance. Any reference to past performance is for illustrative purposes only and should not be relied upon on. Ausbil, its officers, directors and affiliates do not guarantee the performance of, a particular rate of return for, the repayment of capital of, the payment of distribution or income of, or any particular taxation consequences for investing with or in any Ausbil product or strategy. The performance of any strategy or product depends on the performance of the underlying investment which may rise or fall and can result in both capital gains and loss. Any references to particular securities or sectors are for illustrative purposes only. It is not a recommendation in relation to any named securities or sectors. The material may contain forward looking statements which are not based solely on historical facts but are based on our view or expectations about future events and results. Where we use words such as but are not limited to 'anticipate', 'expect', 'project', 'estimate', 'likely', 'intend', 'could', 'target', 'plan', 'believe', 'think', 'might' we are making a forecast or denote a forward-looking statement. These statements are held at the date of the material and are subject to change. Forecast results may differ materially from results or returns ultimately achieved. The views expressed are the personal opinion of the author, subject to change (without notice) and do not necessarily reflect the views of Ausbil. This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market. The actual results may differ materially from those expressed or implied in the material. Ausbil gives no representation or warranty (express or implied) as to the completeness or reliability of any forward looking statements. Such forward looking statements should not be considered as advice or a recommendation and has such should not be relied upon. To the extent permitted by law, no liability is accepted by Ausbil, its officers or directors or any affiliates of Ausbil for any loss or damage as a result of any reliance on this information. While efforts have been made to ensure the information is correct, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions. Any opinions expressed are those of Ausbil as of the date noted on the material and are subject to change without notice.