

# Ausbil Australian SmallCap Fund

Monthly performance update

February 2025

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

'Heightened volatility and market skittishness was a feature in February against the backdrop of mixed macro-economic signals'

## Performance Review

Fund performance for February 2025 was -0.57% (net of fees) versus the benchmark return of -2.80%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

## Fund Review

The first reporting season of 2025 was marked by significant volatility, with extreme share price reactions in both directions. Using the Small Ordinaries Index as a reference, the two notable dynamics were, firstly, the asymmetry of moves to the downside. Only 66 company share prices posted positive total returns, while 129 posted negative total returns. Secondly, the volatility over the month, with 73 companies posting total share price returns of greater than 10%, 25 of which were positive (>10%), and 48 which were negative (<10%).


Pleasingly, the Ausbil SmallCap Fund demonstrated good upside capture and downside protection, with 8 of our holdings delivering total returns of +10% or greater, and only 6 seeing negative total returns of 10% or more, a much better ratio than the broader market. The Fund has now outperformed in 9 of the last 10 reporting periods since inception in April 2020, generating since inception returns of +24.92% pa (net of fees) vs the S&P/ASX Small Ordinaries Accumulation Index at +8.42%.

We are pleased to report that the Ausbil SmallCap Fund again outperformed the benchmark. Contribution came from a combination of longstanding high conviction names, including **Generation Development Group** and **Light & Wonder** and **Temple & Webster**. Detractors for the month included **Maas Group**, **Boss Energy** and **Pinnacle Investment Management Group**.

## Key Contributors

**Generation Development Group** (GDG) had another stellar month, up +14.9%, principally driven by two factors. Firstly, GDG announced the financially and strategically accretive acquisition of Evidentia, a leading provider of tailored managed account solutions. Evidentia complements the Lonsec offering, specialising in tailored managed accounts while Lonsec focuses on off-the-shelf and customised managed discretionary accounts (MDAs). Evidentia has executed on a strong profile of new client wins that we believe will help underpin very strong future earnings growth for GDG overall, and increases the business mix towards the growing, recurring earnings stream of managed accounts. This acquisition was followed later in the month by another impressive GDG result, which was a 10% NPAT beat, driven by Lonsec and Investment Bonds. We retain a high conviction on the medium-term opportunity for GDG.

**Light & Wonder** had a strong month, up +22.6% after a sluggish few months given regulatory uncertainty. Light & Wonder reported a clean result late in the month that was slightly ahead of consensus expectations and demonstrated a sequential pick-up in gaming units. The company also announced that they are considering a sole ASX listing, which could drive a re-rating for the stock.

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1. Fund returns are net of fees.

2. S&P/ASX Small Ordinaries Accumulation Index.

3. Top 5 stocks sorted alphabetically.

**Temple & Webster** finished February up +20.0% after reporting a very strong 1H25 result, with margin being the key upside surprise and, importantly, not at the expense of outstanding revenue growth – proving the doubters (and possibly short sellers) wrong. This was accompanied by very strong free cashflow and other positive operating metrics, including all-time high active and repeat customers, improving conversion rates and ongoing category share growth.

## Key Detractors

**Maas Group** had another weak month, falling -16.1% after implicitly downgrading full-year earnings guidance, 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 <13x FY26 PE for ~25% 2-year EPS CAGR, and owner-operator Wes Maas is aligned and incentivised to maximise shareholder returns. We added to the position during the month.

**Pinnacle Investment Management Group** (PNI) fell -11.0% despite delivering an otherwise flawless result. Returns have been stellar over the past year, and we can only surmise profit taking over fears of 'peak earnings'. We disagree. PNI have made several strategic investments, growing their distribution footprint in offshore markets and expanding affiliate managers, and we believe that they will continue to deliver outstanding returns on capital for shareholders.

**Boss Energy** was particularly weak, down -25.1% over the month. We remain positively disposed to the broader uranium thematic.

## Outlook

Heightened volatility and market skittishness was a feature of February against the backdrop of mixed macro-economic signals, including a few 'head fakes' around President Trump's announced tariffs. Asymmetric share price moves were dictated by the market's willingness to shoot first, ask questions later. While some of this was warranted, it also allowed for a rationalisation of the lower conviction ideas in the Fund and a gentle rotation to reflect some of the new challenges ahead. The stock count is down while Fund concentration is up as we carefully navigate the choppy waters ahead.

## Returns<sup>1</sup> as at 28 February 2025

| Period                                    | Fund Return <sup>1</sup><br>% | Benchmark <sup>2</sup><br>% | Out/Under<br>performance<br>% |
|---|-------------------------------|-----------------------------|-------------------------------|
| 1 month                                   | -0.57                         | -2.80                       | 2.22                          |
| 3 months                                  | 2.13                          | -1.46                       | 3.59                          |
| 6 months                                  | 13.27                         | 5.73                        | 7.54                          |
| 1 year                                    | 26.14                         | 7.33                        | 18.81                         |
| 2 years pa                                | 21.27                         | 7.59                        | 13.68                         |
| 3 years pa                                | 13.32                         | 2.13                        | 11.19                         |
| 4 years pa                                | 14.90                         | 2.85                        | 12.06                         |
| Since inception pa<br>Date: 30 April 2020 | 24.92                         | 8.42                        | 16.49                         |

## Top 5 Stocks<sup>3</sup>

1. Aussie Broadband
2. Codan
3. Generation Development Group
4. Genesis Minerals
5. Life360



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

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