

# Ausbil Australian SmallCap Fund

Monthly performance update

November 2024

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'Our base case remains for global growth to accelerate in 2025'

## Performance Review

Fund performance for November 2024 was +4.40% (net of fees) versus the benchmark return of +1.32%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

## Fund Review

November was a month largely defined by the outcome of the US election, with markets generally responding positively to a decisive Republican victory. Interestingly, while US small caps rallied strongly, with the Russell 2000 index +10.8% in November, though the Australian Small Ordinaries index lagged, rising only +1.32%. This discrepancy can largely be explained by the underperformance of ASX Small Cap Resources (-5.38% in November), which responded negatively to the threat of proposed tariffs imposed on China. Pleasingly, the Ausbil Australian SmallCap Fund continued to outperform the Small Ordinaries, delivering +3.09% outperformance in November (net of fees). This brings rolling 1-year performance for the Fund to +43.18%, outperforming the Small Ordinaries index return of +19.88%.

Key contributors for the month included **Life360** (360) and **Pinnacle Investment Management** (PNI), both continuing stellar runs year-to-date, while key detractors included **Bellevue Gold** (BGL) and **IPD Group** (IPG). The Fund added to existing positions in **Service Stream** (SSM), **Ora Banda Mining** (OBM) and **Temple & Webster** (TPW) while also introducing a new position in **Catapult** (CAT) during the month.

## Key Contributors

**Pinnacle Investment Management** (PNI) once again had a strong month, returning +16.44% in November on the back of the highly accretive and strategically sensible acquisitions of VSS Capital and Pacific Asset Management, two international asset managers based in the US and UK respectively. This continues Pinnacle's strategy of tilting toward global and private market asset managers, which are higher margin and provide diversification. We look forward to seeing how these businesses perform under the Pinnacle umbrella and how Pinnacle deploys the incremental 'dry powder' it raised for future strategic acquisitions.

**Life360** (360) had another strong month, delivering a +15.16% return. The market initially responded negatively to the company's 3Q24 result which, despite beating expectations on core metrics such as paying circles, was a slight miss on revenue due to softer hardware revenue, which is a lower-quality and lumpier part of the business. We were encouraged by the underlying momentum in US and international subscribers, which is critical to the longer-term thesis. Toward the end of the month, the stock was strongly supported by an upweighting in the Russell 2000 index, which will generate index buying as well as potentially elevating Life360 on the radar of US investors.

1. Fund returns are net of fees.

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

3. Top 10 stocks sorted alphabetically.

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## Key Detractors

Disappointingly, **Bellevue Gold** (BGL) fell -21.23% during the month. Gold was soft during November, with the commodity price down -3.8% and smaller-cap gold stocks hit disproportionately as is generally the case. Much of the underperformance in November appeared to be giving back the strong outperformance of the prior month, with the stock having rallied +23.11% in October. The Funds preference remains for Genesis Minerals (GMD) and Ora Banda (OBM) in the gold sector.

**IPD Group** (IPG) was also hit hard, falling -14.29% in November after providing disappointing 1H25 guidance which fell short of consensus expectations. This was attributed to deferral of "daily trade" activity due to challenging conditions in the commercial construction sector. This work is being replaced in part by larger projects which have longer lead times and require more upfront investment. While this was disappointing, pleasingly, IPD Group continues to outperform a subdued market, and the strong order book underwrites future growth.

## Outlook

President-elect Trump's clean sweep in the US federal election was the catalyst for sharp moves on the macro front. The likelihood of Trump's pro-growth and pro-business policies led a precipitous fall in bond yields, the 2/10-year curve flattened, corporate credit spreads narrowed and the USD appreciated, with the AUD falling sharply. In conjunction with the prospect of easing geopolitical tensions, equity markets reacted quite favourably. The consensus has firmly pushed out the magnitude and timing of rate cuts (in the US and Australia), with macroeconomic concerns now turning to any potential fallout from global trade wars, and any stimulatory response from China. Our base case remains for global growth to accelerate in 2025, however, we are mindful of elevated equity market valuations and the risk that trade wars have the potential to rattle the confidence of investors (as they have in the past). We are therefore positioned in stocks that exhibit structural growth characteristics, stocks with USD exposure and stocks with a more cyclical/value bias.

## Returns<sup>1</sup> as at 30 November 2024

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	4.40	1.32	3.09
3 months	10.90	7.29	3.61
6 months	19.06	7.28	11.77
1 year	43.18	19.88	23.30
2 years pa	19.98	7.73	12.25
3 years pa	10.48	-0.08	10.55
4 years pa	18.20	4.26	13.93
Since inception pa Date: 30 April 2020	25.84	9.24	16.59

## Top 10 Stocks<sup>3</sup>

- |                                 |                                   |
|---------------------------------|-----------------------------------|
| 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                           |



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