

Ausbil MicroCap Fund

Monthly performance update

April 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

Returns¹ as at 30 April 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 %	-0.66	15.33	29.66	21.28	-0.32	5.75	12.06	14.65	15.08	19.87
Benchmark ³ %	2.76	14.90	20.22	4.43	-6.36	2.91	11.43	10.76	9.49	4.83
Out/under performance %	-3.42	0.42	9.45	16.85	6.04	2.85	0.63	3.89	5.58	15.04
Reference Index ⁴ %	-3.06	3.33	19.66	7.36	-1.39	0.02	3.93	6.36	6.49	4.59
Out/under performance %	2.40	12.00	10.01	13.92	1.07	5.73	8.12	8.29	8.59	15.28

'A global cyclical recovery is emerging and any rate cuts, if or when they eventuate, should continue to facilitate a gradual recovery in corporate profits'

Performance Review

Fund performance for April 2024 was -0.66% (net of fees) versus the benchmark return of +2.76%, as measured by the S&P/ASX Emerging Companies Accumulation Index, and the reference index return of -3.06% as measured by the S&P/ASX Small Ordinaries Accumulation Index.

After a robust six months, market volatility resurfaced due to heightened Middle East tensions and reduced expectations of rate cuts amidst persistent inflation. The materials-heavy S&P/ASX Emerging Companies Index bucked the trend against other indices, finishing the month higher while the S&P/ASX Small Ordinaries and S&P/ASX ASX 200 indices finished the month lower.

April served a useful reminder that long-term outperformance in smaller companies is driven by a regimental focus on bottom-up stock selection and the identification of earnings revisions, rather than changes in the macroeconomic mood. Bond rates ticked up to recent highs over the month, but this wasn't enough to dent strong returns from the Fund's core position in **Life360** (360) after a strong subscriber update. Positions in **Imdex** (IMD) and **Light & Wonder** (LNW) detracted for the month, though we remain constructive on both given catalysts that are expected over the coming period. During the month the Fund added to the existing positions in **Aussie Broadband** (ABB) and **DUG Technologies** (DUG).

This month, the largest positive contributors to performance were Navigator Global Investments and Life360. Negative contributors included Light & Wonder and Imdex.

Key Contributors

Navigator Global Investments (NGI) rose +12.8% for the month following a transformational period for the company. NGI owns minority stakes in a diversified portfolio of private market and liquid alternatives managers globally. Historically, NGI suffered from an overcomplicated redemption repayment structure and a lack of earnings transparency. Following a discounted capital raise completed in December, which the Fund participated in, and the appointment of dynamic CEO Stephen Darke, the company has overcome several of these shortcomings. With the business still trading at a material discount to the cost of replicating a similar portfolio of underlying managers, and the coffers replenished, we are excited about the future prospects of the company.

Life360 (360) returned +5.2% for the month after releasing a strong user and subscriber update for the March quarter ahead of consensus estimates. 360 added ~5m monthly global active users, a record number for a seasonally weaker period which we think reflects the emerging network effects of a global leader in family safety. There are also several 'strings in the bow' that we anticipate will continue to drive strong earnings growth over the medium term, including further penetration in the US market, a progressive global

rollout and the launch of new monetisation verticals, commencing with on-platform advertising. Despite the significant recent share price outperformance, 360 remains the highest conviction position in the Fund.

Key Detractors

Light & Wonder (LNW) fell -11.2% over the month. We look forward to the upcoming quarterly which we anticipate will continue to show market share gains from smaller competitors on the back of new gaming franchise success. In particular, the rollout of the highly successful Dragon Train franchise in the US offers the potential to disrupt market structure, and early signs on game performance appear positive.

Imdex (IMD) fell -9.9% over the month, giving back some of its recent strength. IMD's products skew to the exploration phase of the mining cycle, and higher commodity prices across gold and copper are the first indication of improving upstream exploration and capital raising activity for junior miners. Though current trading activity is expected to remain subdued, we anticipate the exploration cycle will hit an upward inflection point in the next 12 months, providing IMD an opportune time to refocus attention on its productivity improving technology.

Outlook

Central banks have maintained a steady hand, despite US bond yields surging on stalling inflation momentum, reaccelerating services prices and resilient data on activity. The consensus has now pared back the timing and quantum of rate cuts in the USA, and there is considerable debate as to whether a cut will eventuate in Australia. For now, the RBA is not ruling anything in or out. Still, a global cyclical recovery is emerging and any rate cuts, if or when they eventuate, should continue to facilitate a gradual recovery in corporate profits. This setup should remain accommodative for equity markets, particularly for small and micro caps. There are two wildcards which could potentially have an impact on our thinking and the shape of the Fund: firstly, the outcome of the US federal election; and secondly, geopolitical tensions intensifying in the Middle East.

Top 10 Stocks⁵

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



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 April 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.