

Ausbil MicroCap Fund

Monthly performance update

April 2021

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'We see positive conditions for equity markets to continue moving higher'

Performance Review

Fund performance for the month of April was +11.34% (net of fees) versus the benchmark return of +7.47%, as measured by the S&P/ASX Emerging Companies Accumulation Index.

Fund Review

The Fund's key positions benefitted from positive trading updates over the month, including Betmakers (BET), Universal Stores (UNI) and Sezzle (SZL), and other top-10 holdings exposed to a reopening, including City Chic (CCX), Vista Group (VGL) and Australian Finance Group (AFG).

Notably, many companies that benefited from COVID lockdowns, particularly online retailers, reported updates in April that fell short of market expectations, noting higher investments into marketing and normalisation of promotional sales as consumer behaviour normalises. The Fund has remained conscious of extrapolating COVID conditions into the future, preferring to remain positioned in opportunities linked to a further reopening, namely City Chic (CCX), Lovisa (LOV) and Universal Stores (UNI) in the retail sector.

Over the month, the largest positive contributors to performance were Betmakers Technology, Uniti Group and City Chic. Negative contributors included Carbon Revolution, Nuix and Telix.

Key Contributors

Betmakers Technology (BET) surged +26.4% over the month, taking the calendar year to date return to +96.3%. BET released a positive quarterly trading update showing sequential quarter-on-quarter growth. The Sportech acquisition, which provides BET with a powerful presence in the US racing market with over 9,000 on-course retail betting terminals across 36 states also delivers a step-change in scale. With a team of experienced industry heavyweights, markets continue to anticipate that BET could establish itself as an integral technology service provider in the global wagering market.

Uniti Group (UWL) continued its rerating, up another +20.4% in April. After completing a transformational 2020, UWL is emerging as an organic growth story underpinned by a book of over 200k+ contracted or in-construction premises primarily in greenfield fibre connections. UWL will be a strong candidate to graduate into the ASX 200 this year, potentially as soon as June. Despite the 130%+ share price rise in the last 6 months, we are pleased the market is beginning to appreciate its longer-term potential.

City Chic Collective (CCX) rallied +17.6% in April following several positive retail trading updates reinforcing our conviction CCX remains well-positioned to benefit from a reopening of economies, particularly in its core ANZ, USA & UK markets. Supporting this view, youth apparel retailer and Fund holding, **Universal Stores (UNI)**, returned +27.1% after an excellent 3Q 2021 trading update, implying an acceleration in sales since it's February update. Going forward, CCX now has a solid footprint across ANZ, USA and the UK to grow its large (800k+) and loyal customer base.

Key Detractors

Nuix (NLX) fell -19.8% over the month. Despite their best efforts, the company was forced to confirm that their full-year revenue and ACV guidance would not be met, blaming softer than expected customer upsell revenue and a significant drag from the faster than expected shift from fixed price contracts to consumption-based deals. There were too many red flags, including a number of questionable accounting adjustments to prior year accounts (released after the prospectus and listing) that flattered the historic growth trend, in combination with the 'mortal sin' of missing their prospectus numbers, resulted in a savage reaction from shareholders.

Carbon Revolution (CBR) fell -19.7% in April. The company announced that they had landed 4 new production programs from two of their existing OEM customers to provide wheels for electric vehicles and larger vehicles which would require additional capacity for 75,000 wheels pa. This was great news. However, they also released an underwhelming quarterly production report and simultaneously announced a monster \$95m equity issue to fund the necessary plant expansion to meet their contracted demand.

Outlook

We see positive conditions for equity markets to continue moving higher. The danger for risk assets is inflation, particularly if it moves beyond the boundaries of expectation and proves persistent. We are starting to see pockets of inflation emerging in parts of the global economy where a rapid resumption of demand has clashed with impaired supply. For now, we see no reason to alter our opinion that near-term inflationary pressures are likely to prove temporary but also recognise that bond yields may shoot first.

Returns¹ as at 30 April 2021

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	11.34	7.47	3.87
3 months	14.72	6.77	7.95
6 months	31.75	28.58	3.17
FYTD	52.39	58.01	-5.62
CYTD	13.31	10.95	2.36
1 year	67.88	81.98	-14.10
3 years pa	19.61	14.49	5.11
5 years pa	17.09	13.98	3.11
10 years pa	17.72	2.70	15.02
Since inception pa Date: February 2010	23.96	5.35	18.61

Top 10 Stocks³

1. Australian Finance Group
2. Betmakers Tech Group
3. City Chic Collective
4. John Lyng Group
5. Karoon Gas Australia
6. Lovisa
7. Sezzle
8. Uniti Group
9. Universal Store
10. Vista Group International

1. Fund returns are net of fees.
2. The benchmark is S&P/ASX Emerging Companies Accumulation Index.
3. Top 10 stocks sorted alphabetically.



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A short notice on the COVID-19 public health event, and how it can impact investments

Given the currently evolving issues around the Coronavirus (or Covid-19) globally, which has officially been designated a pandemic by the World Health Organisation, we wish to notify that, as with many firms, business may be disrupted. A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in Australia, Italy, China, South Korea, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact investment returns in any of Ausbil Investment Management Limited's registered managed investment schemes (the Funds). Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, an inability on behalf of authorities to contain this pandemic) may adversely impact any investment, including by delaying or causing supply chain disruptions or by causing staffing shortages. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to any investment or fund performance.