

Ausbil MicroCap Fund

Monthly performance update

October 2021

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Returns¹ as at 31 October 2021

Period	1 month	3 months	6 months	FYTD	CYTD	1 year	2 years pa	3 years pa	5 years pa	7 years pa	10 years pa	Since Inception pa ⁵
Fund return %	4.90	17.64	23.08	20.36	39.46	62.16	27.69	29.21	19.39	22.01	22.16	25.02
Benchmark² %	4.19	20.41	24.70	23.73	38.35	60.33	30.60	29.28	15.45	15.77	7.20	7.11
Out/under performance %	0.71	-2.77	-1.62	-3.37	1.11	1.82	-2.91	-0.08	3.93	6.25	14.96	17.90
Reference Index³ %	0.92	3.68	7.88	4.39	15.62	31.01	13.08	13.52	11.45	10.59	6.98	6.27
Out/under performance %	3.98	13.96	15.19	15.98	23.84	31.14	14.61	15.69	7.94	11.42	15.18	18.74

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Performance Review

Fund performance for the month of October was +4.90% (net of fees) versus the benchmark return of +4.19%, as measured by the S&P/ASX Emerging Companies Accumulation Index.

Fund Review

In a major milestone achievement for the Fund, from 19 November 2021, only current investors can make additional investments in the Fund, i.e. the Fund is closed to new investors. We wish to take this opportunity to thank all investors for their outstanding support.

The Fund benefited from several positive trading updates in October, including **Imdex** and **Jumbo Interactive**, and positive FUA updates from **Praemium** and **Pinnacle**. The Fund has assessed numerous IPO opportunities over the last few months (over 20 IPOs), however we remained disciplined with our approach, having only participated in two transactions. Our discipline was vindicated following the **Step One Clothing** IPO which recently listed, delivering a +80% share price return on debut. We remain attracted to Step One's offshore growth opportunities, particularly in the UK and the US. M&A activity also remains elevated following several deals announced across the micro-cap space, with Fund holding Praemium receiving a takeover offer by listed peer Netwealth in early November. The Fund now looks to the next wave of AGM trading updates in November as potential catalysts for several holdings.

This month, the largest positive contributors to performance were Core Lithium, Imdex and Lovisa. Negative contributors included Macquarie Telecom, Pact Group and Atomos.

Key Contributors

Core Lithium (CXO) surged +34.1% over the month. CXO is anticipated to be the next lithium producer in Australia as it progresses its fully owned Finnis Lithium Project near Darwin towards production. Fully funded and close to existing infrastructure, CXO is well-positioned to capitalise on the tight supply environment.

Imdex (IMD) returned +23.7% over the month after releasing a positive trading update at its AGM, achieving 1Q22 revenue growth +41% above pcp. The result reflects the strong industry fundamentals for mining and exploration activity as capital raisings for mining explorers over the last twelve months, a lead indicator of future spending on exploration activity, have exceeded the highs of the previous mining cycle.

Lovisa (LOV) returned +14.3% for the month. After 12 years at the helm of LOV, long-standing CEO, Shane Fallscheer, announced his resignation in October. Highly regarded in the market for his prudent and steady leadership of LOV's expansion, we believe a transition to incoming CEO Victor Herrero will mark the next stage of LOV's international growth ambition. Herrero

has extensive global experience in fast fashion, having spent 13 years at Inditex Group (owner of Zara) and managing the rollout of over 800 stores in strategic markets in China and India. We see the potential for an acceleration in the international store rollout strategy.

Key Detractors

Macquarie Telecom (MAQ) consolidated recent gains, falling -8.0% over the month. We have previously written on the expansion of MAQ's data centre capacity through the development of IC3 Super West at Macquarie Park. On a medium-term view, MAQ remains an attractive investment as it executes on selling remaining IT load, expanding data centre capacity and maintaining a focus on business development through investments in SD-WAN and cybersecurity.

Pact Group (PGH) fell -18.6% in October after a mixed trading update. The core Packaging and Sustainability division has managed to pass on cost pressures through delayed rise and fall agreements, however the non-core Contract Manufacturing division has been more susceptible to margin erosion.

Atomos (AMS) fell -9.4% over the month. Pressures on global supply chains and semiconductor shortages may have been perceived as a headwind to earnings, however we believe those concerns are over-emphasised and even if not, temporary in nature. At a recent update, the company confirmed they are managing longer lead times with supply confirmed for forecast production to 2022.

Outlook

The Emerging Companies melt up continued throughout the month of October, putting aside the wall of worry that marred the prior month. While China economic activity is mixed, the US and Europe are expected to pick up the slack throughout the December quarter and into 2022. In Australia, we have witnessed a very strong rebound in activity post the easing of COVID-restrictions on "freedom day" which has been supportive of a number of re-opening stocks featured across the portfolio. The combination of stimulus and vaccine-fuelled economic recovery, improving sentiment and upwardly biased but controlled inflation should mean continued outperformance for cyclical over growth names.

Top 10 Stocks⁴

- | | |
|-------------------------|----------------------------|
| 1. 29Metals | 6. Lifestyle Communities |
| 2. Betmakers | 7. Lovisa |
| 3. City Chic Collective | 8. Macquarie Telecom Group |
| 4. DGL Group | 9. Uniti Group |
| 5. Johns Lyng Group | 10. Universal Stores |

1. Fund returns are net of fees and before taxes.
2. S&P/ASX Emerging Companies Accumulation Index.
3. S&P/ASX Small Ordinaries Accumulation Index.
4. Top 10 stocks sorted alphabetically.
5. Date: February 2010.



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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.