

# Ausbil MicroCap Fund

## Monthly performance update

January 2023

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

## Returns<sup>1</sup> as at 31 January 2023

| Period                               | 1<br>month | 3<br>months | 6<br>months | 1<br>year | 2<br>years<br>pa | 3<br>years<br>pa | 5<br>years<br>pa | 7<br>years<br>pa | 10<br>years<br>pa | Since<br>Inception<br>pa <sup>7</sup> |
|--------------------------------------|------------|-------------|-------------|-----------|------------------|------------------|------------------|------------------|-------------------|---------------------------------------|
| <b>Fund return %</b>                 | 3.97       | 3.48        | 2.44        | -10.06    | 8.41             | 7.44             | 11.83            | 12.48            | 16.60             | 20.63                                 |
| <b>Benchmark<sup>2</sup> %</b>       | 7.17       | 6.79        | 0.79        | -10.05    | 7.18             | 13.58            | 9.28             | 13.38            | 6.74              | 5.20                                  |
| <b>Out/under performance %</b>       | -3.20      | -3.31       | 1.65        | -0.01     | 1.23             | -6.15            | 2.55             | -0.90            | 9.86              | 15.43                                 |
| <b>Reference Index<sup>3</sup> %</b> | 6.56       | 7.64        | 2.35        | -4.44     | 0.95             | 2.41             | 4.35             | 8.42             | 5.37              | 4.61                                  |
| <b>Out/under performance %</b>       | -2.59      | -4.15       | 0.10        | -5.62     | 7.46             | 5.03             | 7.47             | 4.06             | 11.23             | 16.02                                 |

'The Fund now looks to the upcoming reporting season for a health check on corporate profits and strength in the consumer following the pace of interest rate rises'

## Performance Review

Fund performance for January 2023 was 3.97% (net of fees) versus the benchmark return of 7.17%, as measured by the S&P/ASX Emerging Companies Accumulation Index and the reference index return of 6.56% as measured by the S&P/ASX Small Ordinaries Accumulation Index.

## Fund Review

Markets started the New Year with fresh optimism as global risk assets rebounded aggressively in January. Continued strength in the labour market and a series of moderating inflation prints was sufficient to drive confidence in a 'soft landing' scenario as central banks begin softening the path of rate hikes. The recovery in risk-assets was broad based, with micro caps<sup>2</sup> +7.17%, large caps<sup>4</sup> +6.26% and Australian technology<sup>5</sup> +10.10%, all higher over the month.

**Imdex** was a standout performer for the Fund, announcing a highly strategic acquisition supported by a positive trading update. The Fund continues to selectively add to tourism exposed names poised to benefit from the faster than expected relaxing of the COVID-zero policy in China. We now look to the upcoming reporting season for a health check on corporate profits and strength in the consumer following the record pace of interest rate rises.

This month, positive contributors to performance were **Imdex** and **Jumbo Interactive**. Negative contributors included **OFX** and **Johns Lyng Group**.

## Key Contributors

**Imdex (IMD)** returned 14.9%, following the announcement of the highly strategic acquisition of Devico, a leader in directional drilling and sensor technologies. Headquartered in Europe, the acquisition expands IMD's global footprint and further diversifies the business into higher-quality and higher margin tools and technologies portfolio. The Fund participated in the capital raising to fund the acquisition.

**Jumbo Interactive (JIN)** added 11.4% in January. We believe a series of large jackpot runs into the backend of last year de-risks the upcoming 1H23 earnings result, with the outlook also supported by the anticipated change to Powerball and growth from the offshore managed service and SaaS opportunities.

## Key Detractors

**OFX (OFX)** fell 17.2% after a softer 3Q trading update. Asset price volatility and the pullback in the US dollar over the quarter saw a decline in consumer conversion activity, particularly from North America. Corporate activity, the higher quality and more consistent component of the business, had a better result. While an overall soft quarter, guidance was reconfirmed, and the performance of Firma raises the possibility of further accretive acquisitions.

**Johns Lyng Group (JLG)** fell 5.3% over the month, a likely hangover of the ill-timed sell-down by the COO in late December and a reiteration of guidance which may have dissatisfied those expecting an upgrade. Guidance confirmation at the November AGM, and again in December, confirms that trading conditions remain strong and continue to see upside risk over FY23 underpinned by a strong backlog of restoration work in Australia with an emerging growth opportunity in the US.

## Outlook

The debate surrounding the type of landing global economies achieve in 2023 continues. Central banks (Australia and USA) are encouraged by lower inflation prints and point to clear signs of disinflation in goods. However, there are concerns around the stickiness of services inflation, hence the expectation for future rate hikes. The path to a 2% inflation target rate is increasingly evident which increases the prospect of a soft-landing scenario. Against this backdrop, we are cautiously confident that inflation has peaked, rates are close to peaking, and the USD has passed its peak. This top-down lens leads us to various segments of the market where we see compelling bottom-up opportunities. At the same time, China has accelerated the removal of its COVID-zero policy and the re-opening of its economy and mobilisation of the Chinese population has uncovered opportunities in travel, consumption and commodities.

## Top 10 Stocks<sup>6</sup>

- |                        |                            |
|------------------------|----------------------------|
| 1. Data#3              | 6. Johns Lyng Group        |
| 2. DGL Group           | 7. Jumbo Interactive       |
| 3. Dicker Data         | 8. Karoon Gas Australia    |
| 4. Hansen Technologies | 9. Macquarie Telecom Group |
| 5. Imdex               | 10. PSC Insurance Group    |

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. S&P/ASX 100 Accumulation Index.
5. S&P/ASX All Technologies Accumulation Index.
6. Top 10 stocks sorted alphabetically.
7. Date: February 2010.



Subscribe to our monthly updates here

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil MicroCap Fund (ARSN 130 664 872) (Fund). This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at [www.ausbil.com.au](https://www.ausbil.com.au) and the target market determination which is available at <https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmtds> before acquiring or investing in the fund.

Contactus@  
[ausbil.com.au](mailto:ausbil.com.au)

**ausbil**  
Strength. Wisdom. Agility.

