

Ausbil MicroCap Fund

Monthly performance update

November 2022

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 November 2022

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 ⁶
Fund return %	4.50	0.82	-2.74	-14.66	11.21	9.92	13.87	13.41	18.08	21.03
Benchmark² %	3.33	-4.10	-9.23	-16.17	8.88	12.89	10.28	12.48	6.79	5.00
Out/under performance %	1.17	4.92	6.50	1.51	2.32	-2.97	3.59	0.93	11.29	16.02
Reference Index³ %	4.92	-0.81	-3.37	-14.03	0.91	2.57	4.36	7.81	5.87	4.46
Out/under performance %	-0.43	1.62	0.64	-0.64	10.29	7.35	9.51	5.59	12.21	16.56

‘Softer than expected inflation data in the US and Australia supported the narrative that global inflation had peaked, which underpinned the market rally from early October’

Performance Review

Fund performance for the month of November 2022 was +4.50% (net of fees) versus the benchmark return of +3.33%, as measured by the S&P/ASX Emerging Companies Accumulation Index and the reference index return of +4.92% as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

Softer than expected inflation data in the US and Australia supported the narrative that global inflation had peaked, which underpinned the market rally from early October. This was further supported by comments from the Federal Reserve Chair, Jerome Powell, which indicated that the pace of rate hikes would likely moderate soon, potentially as early as the December meeting.

For the second month in a row, the micro-cap benchmark return of +3.33%² was below the small-cap return of +4.92%³ and large-cap return of +6.68%⁴.

The Fund outperformed the micro-cap benchmark by 1.17% (net of fees). The Fund's resources positions were a significant contributor to performance, following rumours and then clear evidence of a reopening in China. The Fund benefited from copper exposure, through **29Metals**, and **Imdex**, a leading mining technology business. Returns from core holdings in **Johns Lyng Group**, **Lifestyle Communities** and **PWR Holdings** also added to performance, offset by a softer performance from **Life360** following a capital raising.

This month, contributors to performance included **Imdex** and **Johns Lyng Group**. Negative contributors included **Life360** and **OFX Group**.

Key Contributors

Imdex (IMD) returned 18.6% over the month. Improving sentiment towards a China reopening, the length of the commodity cycle and ongoing spending by larger resource companies towards exploration buoyed sentiment. IMD continues to move towards the commercialisation of Blast Dog following the initial contract with Fortescue Metals (FMG), leveraging its expertise in exploration technology into mining production. IMD also received a favourable court ruling in Australia and the US in defence of a patent infringed by a competitor.

Johns Lyng Group (JLG) added 12.2% in November. JLG re-affirmed full-year guidance at the AGM, though qualitatively referenced a significant pipeline of recovery and reconstruction work in Australia following recent floods on the East Coast. Hurricane Ian in the US also offers the group another opportunity to expand its CAT capabilities offshore as JLG leverages its recently acquired scale to expand service capabilities. The company also announced several bolt-on acquisitions in strata management and disaster recovery. We see upside risk to earnings guidance.

Key Detractors

Life360 (360) consolidated recent gains, retracing 9.6% for the month of November. 360 announced a modest, but nonetheless unexpected, capital raising which shores up any potential uncertainty around the balance sheet as the company moves into cash flow breakeven next year. The 3Q update highlighted continued organic growth in the core subscription business with the benefit of recent price rises still to flow from the next quarter. Anticipated cash flow breakeven was also brought forward to Q32023 from Q42023.

OFX Group (OFX) fell 8.3% despite delivering a strong half-year result update. Continued growth in the corporate segment and a strong contribution from the recent Canadian acquisition, Firma, drove upgrades to EBITDA guidance by 12% at the midpoint for the full year. We assume that some of the weakness was a result of OFX's resilient share price performance CYTD leading into the update, though ongoing FX volatility, acquisition synergies and additional M&A present further upside in our view.

Outlook

The debate over the coming quarter is focussed on the type of landing global economies achieve in 2023. Growth is materially slowing, and a number of inverted yield curves point to heightened recessionary risks in the USA and Europe. At the same time, China has significantly accelerated its preparation for an actual reopening in recent weeks which has buoyed the outlook for commodity demand in 2H23. For now, we are of the view that cash rates in Australia and the USA will continue to rise, but the magnitude of future hikes will be data-dependant. We are already seeing early signs to warrant a slowdown in monetary tightening. However, irrespective of our outlook, we remain cautiously confident that bond yields are topping out and we are considering opportunities within this framework. Above all else, the Fund remains positioned for an elongated period of market volatility with an increased focus on quality companies that can grow irrespective of market conditions.

Top 10 Stocks⁵

- | | |
|---------------------|----------------------------|
| 1. 29Metals | 6. Jumbo Interactive |
| 2. Data#3 | 7. Karoon Gas Australia |
| 3. DGL Group | 8. Lifestyle Communities |
| 4. Imdex | 9. Macquarie Telecom Group |
| 5. Johns Lyng Group | 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. Top 10 stocks sorted alphabetically
6. Date: February 2010.

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 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

ausbil
Strength. Wisdom. Agility.

