

# Ausbil Global SmallCap Fund

## Quarterly performance update

December 2020

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'We have been calling for some time for a rotation towards more cyclical companies trading at cheaper valuations'

### Performance Review

Fund performance for the quarter ending December 2020 was +14.83% (net of fees) versus the benchmark return of +15.04%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small Caps rose +15.04% in AUD terms over the quarter as the asset class delivered strong returns. The market exhibited the same trajectory throughout the quarter with strong gains in global small caps versus global large and mid-caps. The Energy, Financials, IT, Industrials and Materials sectors lead the market. The Consumer Staples, Real Estate, and Utilities sectors lagged the market. Japan underperformed their global peers in AUD terms. The UK market was slightly ahead of the wider index, but the best returns over the month were seen in Europe and the US.

The Fund underperformed the index by -0.21% over the quarter. Several of our IT holdings delivered strong performance over the quarter, we have trimmed most of those positions at their top, leaving a slightly higher cash position at the end of December than normal. Our investments in the Industrials and Consumer Discretionary sectors were positive for performance. Stock picking was exceptionally strong in the Consumer Discretionary sector where although we are very underweight the sector versus the benchmark average, our stocks are focused on direct to consumer, auto components, and outdoor leisure. These sectors are delivering very strong growth which the market had not factored into their estimates.

### Outlook

The market continued to price in a better cyclical environment over the quarter. In these outlook comments we have been calling for some time for a rotation towards more cyclical companies trading at cheaper valuations, with a shift away from defensive growth stocks that have led the market recently. As the bond market prices-in better economic growth and inflation, the US long bond yields are rising, and this is causing a strong headwind for defensive growth assets and valuations on other long dated assets. This is providing a strong tailwind for cheaper more cyclical companies. We have positioned the Fund accordingly, with larger weightings in more cyclically exposed emerging global 'titans' that are expanding niche leaders with unrecognised growth ahead of them.

We expect this environment to continue with vaccine roll-outs improving the economic outlook over the next 12-months, and as the US and EU move towards stronger fiscal stimulus focusing on infrastructure and a greener future. This is all very beneficial for global small caps, particularly versus global mid and large caps where valuation headwinds look set to continue as the economic outlook improves. We are currently seeing many unrecognised growth opportunities which we will filter through our quantitative and fundamental research process. We are optimistic for both the market and the global economy heading into 2021.

### Region Allocation (%)

Country	Fund %	Index <sup>2</sup> %	Tilt %
North America	52.56	61.27	-8.71
Emerging Markets	0.00	0.00	0.00
Japan	7.04	11.10	-4.06
United Kingdom	4.58	6.83	-2.24
Europe	22.29	14.55	7.74
Asia Pacific (Ex Japan)	3.52	5.34	-1.83
China	0.00	0.00	0.00
Other	1.92	0.91	1.01
Cash	8.08	0.00	8.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

### Performance

Returns<sup>1</sup> as at 31 December 2020

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under Performance % Net
1 month	1.57	2.52	-0.95
3 months	14.83	15.04	-0.21
6 months	25.73	18.75	6.98
FYTD	25.73	18.75	6.98
CYTD	13.17	5.64	7.53
1 year	13.17	5.64	7.53
2 years pa	16.41	15.55	0.87
Since inception Date: 31 May 2018	8.41	7.29	1.12

### Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Trade Desk	4.10	0.00	4.10
SolarEdge Technologies	3.58	0.00	3.58
Evercore	2.76	0.06	2.70
Generac	2.69	0.00	2.69
MasTec	2.61	0.06	2.55
Siltronic	2.50	0.05	2.46
Hannon Armstrong	2.42	0.06	2.35
Cirrus Logic	2.24	0.07	2.17
Repligen	2.11	0.13	1.98
Capcom	2.04	0.00	2.04

### Style Tilts

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	13.09	78.25	1.17	18.97
Benchmark <sup>2</sup>	2.42	100.36	1.52	20.02

### Sector Allocations

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	1.51	2.64	-1.13
Materials	4.21	7.22	-3.01
Industrials	21.56	18.28	3.28
Consumer Discretionary	8.91	13.21	-4.30
Consumer Staples	3.06	4.40	-1.35
Health Care	14.16	12.26	1.90
Financials	13.16	12.69	0.47
Information Technology	16.52	13.86	2.66
Communication Services	2.89	3.10	-0.21
Utilities	1.32	2.56	-1.23
Real Estate	4.64	9.79	-5.16
Cash	8.08	0.00	8.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

1. Fund returns are net of fees.

2. The benchmark is MSCI World Small Cap Net Total Return (TR) Index in AUD.



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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.