

# Ausbil Global SmallCap Fund

## Quarterly performance update

June 2021

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  
Fax 61 2 9259 0222

'Markets are pricing in a higher growth outlook for the medium term, with expectations for higher inflation increasingly becoming the consensus view'

### Performance Review

Fund performance for the quarter ending June 2021 was +6.55% (net of fees) versus the benchmark return of +6.50%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small Caps rose +6.50% in AUD terms over the quarter. Equity markets continued to see record inflows, with annualised inflows in H1 2021 of US\$1.2 trillion, exceeding the cumulative inflows of the past 20 years. Earnings expectations were broadly more positive than investors were expecting. Over the quarter, the Energy sector led the market. The Communication Services, Real Estate and Information Technology sectors were also strong. The Consumer Staples and Financials sectors lagged the market. Parts of the European Union led the overall market. The US was also ahead of its peers. The UK and Japanese markets underperformed in AUD terms over the quarter.

The Fund outperformed the index by +0.05% over the quarter driven by strong stock selection. The Fund's investments in the Industrials and Health care sectors were the main drivers of outperformance. Our stock selections in the Consumer Staples and Financials sectors were also positive contributors to performance. On the negative side, the Fund's holdings in the Communication Services and Consumer Discretionary sectors gave back some strong recent performance over the quarter. Our position in the Information Technology sector was also a detractor from performance.

### Outlook

The purchasing managers index (PMI) remains in an expansionary phase as record new orders, low inventory levels, and capex spend expectations continue to drive the global manufacturing recovery. Likewise, the trend of economic data remains positive globally. Markets are pricing in a higher growth outlook for the medium term, with expectations for higher inflation increasingly becoming the consensus view. 6-month CPI data has risen sharply in many regions globally and the US yield curve remains steep. Against this backdrop, valuation headwinds look set to continue for global mid and large caps. We continue to see more attractive valuations in smaller companies and ones exposed to more cyclical end demand.

On the back of a rapid COVID-19 vaccine rollout, the US and UK have relaxed most lockdown measures with further normalisation steps in plan. Some developed countries are experiencing declining COVID-19 infections rates, due partly to access to vaccines and more efficient distribution programs, and were able to re-open their economies earlier. The near-term economic outlook on full relaxation of restrictions for many countries globally looks bright. We continue to be watchful of equity valuations where positioning remains stretched, particularly in the defensive growth segment. The fund continues to find a great deal of unrecognised growth in our market of under-researched small caps.

### Region Allocation

| Country                    | Fund %        | Index <sup>2</sup> % | Tilt %      |
|----------------------------|---------------|----------------------|-------------|
| North America              | 57.35         | 63.15                | -5.80       |
| Emerging Markets           | 0.00          | 0.00                 | 0.00        |
| Japan                      | 8.30          | 10.31                | -2.01       |
| United Kingdom             | 6.10          | 6.46                 | -0.36       |
| Europe (Ex United Kingdom) | 19.23         | 13.86                | 5.37        |
| Asia Pacific (Ex Japan)    | 2.46          | 5.18                 | -2.72       |
| Other                      | 2.93          | 1.04                 | 1.89        |
| Cash                       | 3.62          | 0.00                 | 3.62        |
| <b>Total</b>               | <b>100.00</b> | <b>100.00</b>        | <b>0.00</b> |

### Performance

Returns<sup>1</sup> as at 30 June 2021

| Period                               | Fund Return %<br>Net | Benchmark <sup>2</sup> % | Out/Under Performance %<br>Net |
|--------------------------------------|----------------------|--------------------------|--------------------------------|
| 1 month                              | 2.69                 | 3.32                     | -0.62                          |
| 3 months                             | 6.55                 | 6.50                     | 0.05                           |
| 6 months                             | 16.80                | 18.07                    | -1.27                          |
| FYTD                                 | 46.86                | 40.21                    | 6.65                           |
| CYTD                                 | 16.80                | 18.07                    | -1.27                          |
| 1 year                               | 46.86                | 40.21                    | 6.65                           |
| 2 years pa                           | 17.42                | 16.41                    | 1.01                           |
| 3 years pa                           | 12.24                | 11.54                    | 0.70                           |
| Since inception<br>Date: 31 May 2018 | 12.54                | 11.96                    | 0.58                           |

### Top 10 Stock Holdings

| Name                   | Fund % | Index <sup>2</sup> % | Tilt % |
|------------------------|--------|----------------------|--------|
| Generac                | 3.76   | 0.00                 | 3.76   |
| MasTec                 | 3.75   | 0.07                 | 3.67   |
| SolarEdge Technologies | 3.51   | 0.00                 | 3.51   |
| InMode                 | 2.93   | 0.03                 | 2.90   |
| Atkore                 | 2.89   | 0.04                 | 2.85   |
| Evercore               | 2.84   | 0.07                 | 2.77   |
| EMCOR                  | 2.72   | 0.08                 | 2.64   |
| Vertiv                 | 2.69   | 0.08                 | 2.61   |
| Repligen               | 2.52   | 0.12                 | 2.40   |
| Xinyi Glass            | 2.46   | 0.00                 | 2.46   |

### Style Tilts

|                        | Return on invested capital | Debt to equity | Dividend yield | Price to free cash flow |
|------------------------|----------------------------|----------------|----------------|-------------------------|
| Portfolio              | 13.71                      | 72.51          | 0.94           | 20.21                   |
| Benchmark <sup>2</sup> | 2.02                       | 99.86          | 1.26           | 21.58                   |

### Sector Allocations

| Sector                 | Fund %        | Index <sup>2</sup> % | Tilt %      |
|------------------------|---------------|----------------------|-------------|
| Energy                 | 0.00          | 3.57                 | -3.57       |
| Materials              | 4.23          | 7.07                 | -2.84       |
| Industrials            | 34.45         | 18.08                | 16.36       |
| Consumer Discretionary | 11.09         | 13.82                | -2.73       |
| Consumer Staples       | 3.19          | 4.22                 | -1.03       |
| Health Care            | 17.07         | 12.03                | 5.05        |
| Financials             | 11.96         | 12.84                | -0.88       |
| Information Technology | 6.26          | 12.81                | -6.56       |
| Communication Services | 3.75          | 3.47                 | 0.28        |
| Utilities              | 0.00          | 2.45                 | -2.45       |
| Real Estate            | 4.38          | 9.64                 | -5.26       |
| Cash                   | 3.62          | 0.00                 | 3.62        |
| <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.



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

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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.