

# Ausbil Global SmallCap Fund

## Quarterly performance update

June 2022

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'Equity markets were weak in June as financial conditions continued to tighten globally'

### Performance Review

Fund performance for the quarter ending June 2022 was -11.61% (net of fees) versus the benchmark return of -9.56%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small caps fell 9.56% in AUD terms over the quarter. The Materials and Communication Services sectors fell the most. The Consumer Discretionary, Real Estate, Industrials and Information Technology sectors were also very weak over the month. The Consumer Staples sector returned positive performance as the market sought safety of earnings. The Energy sector had a strong quarter but weakened considerably in June.

The Fund underperformed the index by 2.05% over the Quarter. Our Healthcare and Information Technology holdings were the major negative, as despite their defensive nice earnings profiles, they were sold down with the broader market. Our relative avoidance of cyclical businesses in the Materials and Consumer Discretionary sectors was positive for performance.

### Outlook

Equity markets were weak in June as financial conditions continued to tighten globally and the outlook is for further tightening as central banks attempt to reverse the rise in inflation expectations. Recent economic data has soured from a slowdown in growth to a contraction in economic output. Recent new orders from the manufacturing sector have moved into sharp contraction globally, signalling a contraction in manufacturing PMIs. This is being compounded by a shift in consumer spending from goods to services. The consumer is still buoyed by high savings. However, consumer sentiment looks set to continue to worsen as cost-of-living pressures remain, with high housing markets are weakening from high levels, and weakened investment portfolios.

We expect the consensus earnings outlook to be cut aggressively across the board for the next 12-months as the market continues to adjust to the potential for a recessionary environment. The Consumer Discretionary, Energy and Materials sectors usually bare the worst downgrades from a recession. In this environment companies that can deliver stable or growing earnings could be more sought out by the wider market. We continue to find excellent opportunities in niche global leaders that can disrupt their industries and have the cash generation to invest for future growth. In June, we took profits in several Consumer and Industrial names, and we are allocating that capital towards our investments whose growth is more dependent on niche products and disruption, and less so on wider economic strength, in areas where we see larger improvements in earnings expectations.

### Region Allocation

| Country                    | Fund %        | Index <sup>2</sup> % | Tilt %      |
|----------------------------|---------------|----------------------|-------------|
| North America              | 44.36         | 63.79                | -19.43      |
| Emerging Markets           | 0.00          | 0.00                 | 0.00        |
| Japan                      | 5.24          | 10.99                | -5.75       |
| United Kingdom             | 7.59          | 6.02                 | 1.56        |
| Europe (Ex United Kingdom) | 38.83         | 13.53                | 25.30       |
| Asia Pacific (Ex Japan)    | 0.00          | 5.67                 | -5.67       |
| Other                      | 0.00          | 0.00                 | 0.00        |
| Cash                       | 3.98          | 0.00                 | 3.98        |
| <b>Total</b>               | <b>100.00</b> | <b>100.00</b>        | <b>0.00</b> |

### Performance

Returns<sup>1</sup> as at 30 June 2022

| Period                               | Fund Return %<br>Net | Bench-<br>mark <sup>2</sup> % | Out/Under<br>Performance %<br>Net |
|--------------------------------------|----------------------|-------------------------------|-----------------------------------|
| 1 month                              | -6.74                | -6.09                         | -0.65                             |
| 3 months                             | -11.61               | -9.56                         | -2.05                             |
| 6 months                             | -30.61               | -18.13                        | -12.48                            |
| FYTD                                 | -23.29               | -14.81                        | -8.48                             |
| CYTD                                 | -30.61               | -18.13                        | -12.48                            |
| 1 year                               | -23.29               | -14.81                        | -8.48                             |
| 2 years pa                           | 6.14                 | 9.29                          | -3.15                             |
| 3 years pa                           | 1.88                 | 4.90                          | -3.02                             |
| 4 years pa                           | 2.05                 | 4.27                          | -2.22                             |
| Since inception<br>Date: 31 May 2018 | 2.46                 | 4.71                          | -2.25                             |

### Top 10 Stock Holdings

| Name                      | Fund % | Index <sup>2</sup> % | Tilt % |
|---------------------------|--------|----------------------|--------|
| Repligen Corporation      | 4.75   | 0.13                 | 4.62   |
| Hannon Armstrong          | 3.55   | 0.05                 | 3.50   |
| InMode                    | 2.87   | 0.02                 | 2.84   |
| EastGroup Properties      | 2.78   | 0.10                 | 2.68   |
| Amplifon                  | 2.78   | 0.00                 | 2.78   |
| Capcom Co                 | 2.66   | 0.00                 | 2.66   |
| Selective Insurance Group | 2.59   | 0.08                 | 2.52   |
| Menicon Co                | 2.59   | 0.02                 | 2.56   |
| Qt Group                  | 2.49   | 0.02                 | 2.47   |
| Exponent                  | 2.33   | 0.07                 | 2.26   |

### Style Tilts

|                        | Return on<br>invested<br>capital | Debt to<br>equity | Dividend<br>yield | Price to<br>free cash<br>flow |
|------------------------|----------------------------------|-------------------|-------------------|-------------------------------|
| Portfolio              | 17.0                             | 61.0              | 1.8               | 18.15                         |
| Benchmark <sup>2</sup> | 6.9                              | 100.7             | 1.9               | 20.48                         |

### Sector Allocations

| Sector                 | Fund %        | Index <sup>2</sup> % | Tilt %      |
|------------------------|---------------|----------------------|-------------|
| Energy                 | 1.00          | 4.82                 | -3.82       |
| Materials              | 3.02          | 7.34                 | -4.32       |
| Industrials            | 20.66         | 18.47                | 2.20        |
| Consumer Discretionary | 7.64          | 11.98                | -4.34       |
| Consumer Staples       | 2.12          | 4.99                 | -2.87       |
| Health Care            | 26.55         | 10.67                | 15.88       |
| Financials             | 16.65         | 14.04                | 2.62        |
| Information Technology | 9.10          | 11.51                | -2.41       |
| Communication Services | 2.66          | 2.93                 | -0.27       |
| Utilities              | 0.00          | 3.20                 | -3.20       |
| Real Estate            | 6.62          | 10.05                | -3.43       |
| Cash                   | 3.98          | 0.00                 | 3.98        |
| <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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