

Ausbil Global SmallCap Fund

Quarterly performance update

September 2022

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'As we enter Q3 US corporate earnings, we expect to see the resiliency and earnings strength shown during Q2 to be challenged'

Performance Review

Fund performance for the quarter ending September 2022 was -2.40% (net of fees) versus the benchmark return of +1.31%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small caps rose 1.31% in AUD terms over the quarter. The Energy and Health Care sectors led the market. The Financials, Industrials and Information Technology sectors also outperformed the market. The Communication Services, Real Estate, Consumer Staples, Utilities, Materials and Consumer Discretionary sectors underperformed the market. The US outperformed the wider developed markets over the month.

The Fund underperformed the index by 3.71% over the quarter. Our Consumer Discretionary and Information Technology holdings were the major negatives. Our investments in the Financials, Energy and Consumer Staples sectors lagged the index over the month. Our positions in the Communication Services, Industrials, Materials, Real Estate and Utilities sectors were positive for performance.

Fund Strategy

As we enter Q3 US corporate earnings we expect to see the resiliency and earnings strength shown during Q2 to be challenged, particularly in sectors with low pricing power and increasing input costs, like managed care operations. With US rates expected to rise further, sectors with a more direct relationship to the economy are likely to underperform, like Consumer Discretionary, Industrials and Information Technology. We expect sectors benefitting from rising rates and the current high inflationary environment such as Utilities and Consumer Staples to outperform.

The Fund remains invested in future global titans operating in attractive niches with resilient strong near and mid-term earnings profiles. We continue to steer clear of sectors that are overly cyclical with earnings exposed to slowing economic growth, and companies with margins that are under pressure from increased input costs. We continue to find opportunities in niche global leaders that can disrupt their industries and have the cash generation to invest for future growth, despite the difficult economic environment.

Region Allocation

Country	Fund %	Index ² %	Tilt %
North America	57.45	65.49	-8.04
Emerging Markets	0.00	0.00	0.00
Japan	8.11	11.22	-3.12
United Kingdom	10.18	5.12	5.06
Europe (Ex United Kingdom)	23.05	11.39	11.67
Asia Pacific (Ex Japan)	0.00	5.66	-5.66
Middle East	0.95	1.12	-0.17
Cash	0.27	0.00	0.27
Total	100.00	100.00	0.00

1. Fund returns are net of fees.

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

Performance

Returns¹ as at 30 September 2022

Period	Fund Return % Net	Benchmark ² %	Out/Under Performance % Net
1 month	-6.13	-4.32	-1.82
3 months	-2.40	1.31	-3.71
6 months	-13.73	-8.37	-5.36
1 year	-29.25	-15.75	-13.50
2 years pa	0.21	8.27	-8.07
3 years pa	0.94	4.27	-3.34
4 years pa	-0.39	3.56	-3.96
Since inception Date: 31 May 2018	1.74	4.74	-3.00

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Repligen	4.21	0.16	4.05
EastGroup Properties	3.64	0.10	3.54
Selective Insurance	3.50	0.08	3.42
Capcom	2.92	0.00	2.92
Qiagen	2.73	0.00	2.73
Menicon	2.70	0.02	2.68
Silgan	2.54	0.06	2.48
Ingles Markets	2.45	0.02	2.43
ASR Nederland NV	2.37	0.09	2.28
Tetra Tech	2.35	0.11	2.23

Style Tilts

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	12.3	69.6	2.0	22.36
Benchmark ²	6.7	101.8	2.0	21.41

Sector Allocations

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	5.17	-5.17
Materials	3.53	7.33	-3.80
Industrials	18.36	18.54	-0.18
Consumer Discretionary	2.64	12.07	-9.43
Consumer Staples	13.66	4.89	8.77
Health Care	19.57	11.43	8.14
Financials	9.00	14.45	-5.45
Information Technology	8.68	11.24	-2.56
Communication Services	2.92	2.74	0.19
Utilities	5.27	3.15	2.13
Real Estate	16.11	9.00	7.11
Cash	0.27	0.00	0.27
Total	100.00	100.00	0.00

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