

Ausbil Global SmallCap Fund

Quarterly performance update

December 2022

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'We remain exposed to future global titans which we expect will deliver positive earnings surprises in the near and mid-term'

Performance Review

Fund performance for the quarter ending December 2022 was +5.33% (net of fees) versus the benchmark return of +5.01%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small caps rose 5.01% in AUD terms over the quarter. The Materials and Industrials sectors led the market. The Energy, Consumer Discretionary, Consumer Staples and Financials sectors also outperformed. However, the Health Care, Communication Services, Real Estate, Information Technology and Utilities sectors underperformed the market. The UK and parts of Europe outperformed the wider developed markets over the period.

The Fund outperformed the index by 0.32% over the quarter driven by strong stock selection and a number of strong results across the portfolio holdings. The Fund's investments in structural growth businesses in the Communication Services sector were the main drivers of outperformance. Our stock selection in the Consumer Staples, Financials, Health Care, Consumer Discretionary, Information Technology and Materials sectors were also positive contributors to performance. On the negative side, our positions in the Industrials, Real Estate and Utilities sectors lagged the index this quarter.

Fund Strategy

The strategy remains exposed to future global titans which we expect will deliver positive earnings surprises in the near and mid-term. We are cautious of investments in companies whose earnings are materially affected by deteriorating economic growth or are adversely impacted by inflationary pressures. This strategy continues to find unrecognised growth in niche global leaders in our universe of under-researched small caps.

Portfolio Outlook

With central bank interest rates looking to remain high relative to the past decade and growth rates slowing globally, there has been much talk in the market of the potential for a US recession in H1 2023. This widely held viewpoint is reflected in many negative EPS revisions and falling valuations across different sectors and companies. 'Beat up' businesses operating critical assets which cannot be readily built or expanded such as speciality industrials or chemicals may outperform in this environment. Those companies which deliver high cash flow after operations and investments for future growth while trading at attractive valuations against peers are also expected to deliver superior returns.

Region Allocation

Country	Fund %	Index ² %	Tilt %
North America	53.84	63.31	-9.48
Japan	11.73	11.64	0.09
United Kingdom	9.71	5.52	4.19
Europe (Ex United Kingdom)	18.94	12.74	6.20
Asia Pacific (Ex Japan)	0.00	5.78	-5.78
Middle East	0.94	1.01	-0.07
Cash	4.84	0.00	4.84
Total	100.00	100.00	0.00

Performance

Returns¹ as at 31 December 2022

Period	Fund Return % Net	Benchmark ² %	Out/Under Performance % Net
1 month	-3.37	-4.63	1.27
3 months	5.33	5.01	0.32
6 months	2.80	6.39	-3.59
1 year	-28.66	-12.90	-15.77
2 years pa	-4.03	3.45	-7.47
3 years pa	1.39	4.17	-2.78
4 years pa	5.70	9.33	-3.63
Since inception Date: 31 May 2018	2.80	5.60	-2.80

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Selective Insurance Group	4.08	0.08	4.00
Atkore	3.29	0.07	3.22
ASR Nederland NV	3.21	0.10	3.11
Weis Markets	3.03	0.02	3.01
Ingles Markets	3.02	0.02	3.00
Menicon	3.01	0.02	2.99
EastGroup Properties	2.90	0.10	2.80
Vertiv	2.79	0.07	2.73
Silgan	2.58	0.07	2.51
Horiba	2.42	0.02	2.39

Style Tilts

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	18.6	72.9	2.3	20.82
Benchmark ²	8.8	99.4	2.0	23.74

Sector Allocations

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	5.00	-5.00
Materials	4.03	7.62	-3.59
Industrials	17.94	19.44	-1.51
Consumer Discretionary	1.81	12.50	-10.69
Consumer Staples	14.59	4.73	9.86
Health Care	11.77	10.66	1.10
Financials	11.59	14.30	-2.71
Information Technology	10.90	10.81	0.09
Communication Services	1.63	2.84	-1.21
Utilities	5.79	3.16	2.63
Real Estate	15.10	8.93	6.17
Cash	4.84	0.00	4.84
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.

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