

Ausbil Global SmallCap Fund

Quarterly performance update

March 2023

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'The strategy continues to focus on the future global titans that we believe will deliver positive earnings surprises'

Performance Review

Fund performance for the quarter ending March 2023 was +4.35% (net of fees) versus the benchmark return of +5.60%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small caps index rose 5.60% in AUD terms over the quarter, with returns being largely driven by the Information Technology, Consumer Discretionary, Industrials and the Materials sectors, all delivering strong positive performance. The Financial and Real Estate sectors underperformed the market with negative absolute returns.

The Fund underperformed the index by 1.25% over the quarter. On a positive absolute basis, our Industrials holdings continued to deliver strong increases in near-term earnings expectations. Our large underweight in the Financials sector benefited performance, though we have had major concerns over the effect of the yield curve on Regional US Banking and US Commercial Real Estate. Our large underweight in the Real Estate sector also helped returns. On the negative side, our Materials investments underperformed the index and were a drag on performance.

Strategy

The strategy continues to focus on the future global titans that we believe will deliver positive earnings surprises in the near and mid-term, despite restrictive monetary policies maintained by central banks that create tighter financial conditions. Additionally, we continue to find unrecognised growth opportunities in niche global leaders within our universe of small-cap stocks that are under-researched.

Outlook

During March, the debate in developed markets has once again returned to hard landing or soft landing, driven by the more pessimistic probable outcomes on credit availability in the US following the regional banking crisis and the effects of the yield curve on the US commercial real estate financing market. In addition, the sovereign bond market currently has very heightened levels of volatility over concerns about the difficulty of handicapping future inflation and growth expectations. We expect continued tightening in credit conditions at the regional banking level, and we are underweight the broader US economy with a focus on manufacturing on-shoring, US single family unit construction and decarbonisation. Whilst we have concerns over a deterioration in growth in the US and the EU in the near term, we also continue to see upside in current estimates for European listed technological leaders, providing capital equipment to drive decarbonisation with a revenue focus on China and Emerging Markets.

Performance

Returns¹ as at 31 March 2023

Period	Fund Return % Net	Bench- mark ² %	Out/Under Performance %
1 month	-1.23	-1.90	0.67
3 months	4.35	5.60	-1.25
6 months	9.92	10.89	-0.97
1 year	-5.18	1.61	-6.79
2 years pa	-6.36	0.96	-7.32
3 years pa	10.19	14.12	-3.93
4 years pa	4.44	7.56	-3.13
Since inception Date: 31 May 2018	3.57	6.50	-2.93

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Atkore	4.67	0.08	4.59
InMode	3.26	0.03	3.23
ANDRITZ	2.96	0.07	2.89
LSB Industries	2.89	0.01	2.88
EMCOR Group	2.76	0.12	2.64
EastGroup Properties	2.42	0.11	2.32
Valmet	2.35	0.08	2.27
Applied Industrial Technologies	2.34	0.08	2.26
Tecan Group	2.33	0.08	2.24
Silgan	2.23	0.07	2.16

Style Tilts

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	17.4	61.8	1.5	17.05
Benchmark ²	6.4	100.0	1.9	22.62

Sector Allocations

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	4.64	-4.64
Materials	9.50	7.84	1.66
Industrials	38.72	19.46	19.26
Consumer Discretionary	5.99	13.37	-7.37
Consumer Staples	6.88	4.77	2.11
Health Care	13.10	10.16	2.94
Financials	7.24	13.09	-5.86
Information Technology	12.33	12.04	0.29
Communication Services	0.70	3.08	-2.38
Utilities	0.00	3.04	-3.04
Real Estate	2.42	8.51	-6.09
Cash	3.12	0.00	3.12
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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Region Allocation

Country	Fund %	Index ² %	Tilt %
North America	41.94	62.78	-20.85
Japan	6.58	11.67	-5.10
United Kingdom	9.43	5.56	3.88
Europe (Ex United Kingdom)	33.84	13.53	20.32
Asia Pacific (Ex Japan)	1.83	5.56	-3.73
Middle East	3.26	0.91	2.36
Cash	3.12	0.00	3.12
Total	100.00	100.00	0.00

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