

# Ausbil Global SmallCap Fund

## Quarterly performance update

June 2023

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### Performance Review

Fund performance for the quarter ending June 2023 was +7.46% (net of fees) versus the benchmark return of +3.85%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small caps rose 3.85% in AUD terms over the quarter. The Information Technologies, Health Care and Industrials sectors were the key outperformers while Communication Services, Materials and Real Estate sectors underperformed. The US and parts of Europe outperformed the wider developed markets over the period.

Notable positive contributors over the period were Vertiv, Be Semiconductor Industries, Topbuild and Atkore while European Industrials Valmet and Andritz contributed negatively to performance.

Pleasingly Atkore was up 33.5% in June, reversing some weaker performance earlier in the past quarter. Atkore continues to be a well-run US based industrial focused on non-residential Capital Expenditure and the electrification of the US.

### Contributors and Detractors

Atkore is the Fund's largest position given the Fund's expectation that non-residential capital expenditure will continue to increase in the US driven by several themes, including: the onshoring of supply chains back to the US; ongoing non-residential manufacturing investment; and government support. This government support comes in the Infrastructure Investment and Jobs Act (Biden's original legislation in 2021), and more recently, in 2022, the Inflation Reduction Act which commits investment and tax breaks into the US economy specifically focused on infrastructure and manufacturing. Atkore is a leading provider of electrical infrastructure, including cables, piping conduits and electrical raceways used in a whole array of construction (data centres, manufacturing facilities, and office, industrial and residential new builds, and renovations). Atkore has an experienced management team led by their CEO, Bill Waltz, who has consistently managed to deliver for Atkore's stakeholders and shareholders, while also significantly improving the company's reporting on environmental, social and governance (ESG) issues over recent years. In June 2023, Mr Waltz was named as an Entrepreneur of The Year 2023 Midwest Award winner by Ernst & Young. Bloomberg states that, "The Entrepreneur of The Year awards is one of the preeminent competitive awards for leaders of high-growth companies."

Valmet ended the June quarter weaker as European Industrials came under pressure versus their US counterparts. Valmet is a Finnish based global company that specialises in the development, production, and maintenance of process technologies, automation, and services for various industries, with a strong focus on the pulp, paper, and renewable energy sectors. The company, in its current structure, was formed in 2013 through the demerger of the pulp, paper, and power businesses from Metso Corporation, and it has a long history that can be traced back to the early 19th century.

Valmet operates in over 70 countries worldwide and has a diverse customer base that includes pulp, paper, and board manufacturers, as well as energy producers and other industrial companies. The company offers a comprehensive range of products and services designed to improve the efficiency, sustainability, and reliability of its customers' operations.

### Performance

Returns<sup>1</sup> as at 30 June 2023

Period	Fund Return % Net	Benchmark <sup>2</sup> %	Out/Under Performance %
1 month	6.28	3.33	2.95
3 months	7.46	3.85	3.61
6 months	12.14	9.67	2.47
1 year	15.28	16.67	-1.39
2 years pa	-5.96	-0.30	-5.66
3 years pa	9.10	11.70	-2.60
4 years pa	5.08	7.73	-2.65
5 years pa	4.57	6.64	-2.07
Since inception	4.86	6.96	-2.10

Date: 31 May 2018

### Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Atkore	4.78	0.09	4.69
TopBuild Corp	3.36	0.12	3.23
EastGroup Properties	3.18	0.11	3.07
ANDRITZ	3.03	0.05	2.98
InMode	2.99	0.04	2.95
Valmet Corp	2.44	0.06	2.38
EMCOR Group	2.35	0.13	2.22
Selective Insurance Group	2.24	0.08	2.15
FLSmith & Co	2.23	0.04	2.19
MasTec	2.18	0.11	2.07

### Style Tilts

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	17.6	59.6	1.3	18.97
Benchmark <sup>2</sup>	6.3	100.2	1.9	23.66

### Sector Allocations

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	0.00	4.79	-4.79
Materials	10.38	7.31	3.07
Industrials	39.23	20.06	19.17
Consumer Discretionary	13.75	13.05	0.69
Consumer Staples	3.67	4.68	-1.01
Health Care	10.79	10.75	0.05
Financials	8.49	13.52	-5.03
Information Technology	8.11	11.64	-3.53
Communication Services	0.75	3.03	-2.28
Utilities	0.00	2.84	-2.84
Real Estate	3.67	8.33	-4.66
Cash	1.16	0.00	1.16
<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.

Two of Valmet's segments which the Portfolio expects to deliver unrecognised growth are their Energy segment and their Automation segment. Valmet's Energy segments offers solutions for energy production and optimisation, with a focus on biomass, waste-to-energy, and other renewable energy sources. The company's expertise includes boiler and combustion systems, gasification technologies, environmental systems, and power generation solutions. Valmet's Automation segment develops and implements advanced automation and information management systems to optimise industrial processes. These solutions enable real-time monitoring, control, and optimisation of production processes, leading to increased efficiency, quality, and safety.

## Outlook

The Fund continues to be overweight both US and European industrials which will likely benefit from the Chinese recovery, onshoring, government support and a wider improvement in emerging market economies. The Portfolio is also overweight US homebuilders and related companies in the US.

The Fund is underweight the consumer (excluding the US homebuilders) as the US and Global consumer is still at risk from elevated interest and inflation rates. The Portfolio is also underweight Financials and Real Estate. The Portfolio's largest holding in Financials is Selective Insurance which is a prominent regional insurance company that is expanding across the US from its base in Branchville, New Jersey.

On a regional basis, the Fund is overweight Europe and the UK and underweight the US given the compelling relative valuation differences between the two regions.

The Fund remains biased to niche leaders within their industry, like Atkore and Valmet, exposed to strong themes like the strengthening of the Chinese economy, and onshoring which we expect to deliver positive earnings surprises in the near and mid-term. While we expect central banks to maintain restrictive monetary policies, creating tight financial conditions, the strategy continues to find unrecognised growth opportunities in our universe of under-researched small caps.

## Region Allocation

Country	Fund %	Index <sup>2</sup> %	Tilt %
North America	55.07	63.95	-8.88
Japan	4.31	11.51	-7.20
United Kingdom	7.78	5.41	2.36
Europe (Ex United Kingdom)	27.73	12.87	14.87
Asia Pacific (Ex Japan)	0.96	5.27	-4.31
Middle East	2.99	0.99	2.00
Cash	1.16	0.00	1.16
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>



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