

Ausbil Global SmallCap Fund

Quarterly performance update

June 2024

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'The Fund continues to seek out unrecognised growth opportunities in stocks leveraged to the identified themes and growth tailwinds'

Performance Review

Fund performance for the quarter ending June 2024 was -6.45% (net of fees) versus the benchmark return of -4.88%, as measured by the MSCI World Small Cap Net Total Return Index.

MSCI World Small Cap fell -4.88% over the month in AUD. France was the weakest country in the index given the country's political uncertainty, followed by Germany. Several of the European countries performed well with Norway being the strongest market followed by Spain. The UK performed well beating the index while the US underperformed the index.

Consumer Discretionary and Industrials were the worst performing sectors; with Health Care also having a weak quarter. Utilities had a strong quarter versus the broader index continuing the trend seen this year. Energy also performed well; however, most sectors were negative for the quarter.

Notable positive contributors over the period were Vertiv and Celestica, both listed in the US. Atkore and Installed Building Products were the main negative contributors during the quarter.

Contributors and Detractors

Vertiv was the biggest positive contributor to the Fund during the quarter. Vertiv is a global leader specialising in critical digital infrastructure solutions with a strong focus on data centres, offering a comprehensive strategy of products and services to ensure the availability and reliability of essential applications across a wide range of industries. Vertiv's products include power equipment and heating and cooling systems for data centres which are currently in high demand. Vertiv has been a key holding of the strategy for over two and a half years. Vertiv delivered a strong quarterly update to the market at the end of April which drove the share price positively. The company continues to see strong demand growth for its data centre products.

Celestica is a leading electronics manufacturing services (EMS) and supply chain solutions company headquartered in Toronto, Canada. Founded in 1994, it serves a diverse range of industries including aerospace, defence, communications, enterprise, healthcare, industrial, and capital equipment. Celestica provides a comprehensive suite of services encompassing design and engineering, manufacturing, and supply chain management, aimed at helping clients bring their products from concept to market efficiently.

Atkore has been held in the Fund for many years and is a leading US company in the provision of electrical equipment. Atkore's electrical infrastructure products include 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's share price came under pressure over the quarter as the demand for its high-density polymer piping segment saw weakness as customers delayed their capital expenditure plans. However, Atkore continues to offer strong value trading on a forward price-to-earnings ratio of 8.1. The Fund expects Atkore to deliver significant unrecognised growth in the coming years.

Installed Building Products (IBP) was founded in 1977 and is one of the largest residential insulation installers in the US. The company provides a variety of installation services and products for residential and commercial builders. IBP has an extensive network of branch locations across the country which has allowed it to expand its business over time from its base in Ohio. The established management team with an organic and M&A growth strategy is expected to deliver ongoing unrecognised growth in future periods.

Performance

Returns¹ as at 30 June 2024

Period	Fund Return % Net	Benchmark ² %	Out/Under Performance % Net
1 month	-3.60	-2.36	-1.24
3 months	-6.45	-4.88	-1.56
6 months	12.58	3.70	8.89
1 year	19.78	8.78	10.99
2 years pa	17.51	12.66	4.85
3 years pa	1.94	2.64	-0.70
4 years pa	11.68	10.96	0.72
5 years pa	7.87	7.94	-0.07
Since inception Date: 31 May 2018	7.18	7.26	-0.08

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Medpace	4.56	0.15	4.41
Fabrinet	4.55	0.12	4.43
EMCOR Group	4.55	0.00	4.55
Sterling Infrastructure	4.54	0.05	4.49
Powell Industries	4.23	0.02	4.21
TopBuild	4.19	0.17	4.03
Hammond Power Solutions	4.08	0.01	4.07
nVent Electric	4.07	0.17	3.90
Celestica	3.83	0.00	3.83
LeMaitre Vascular	3.75	0.02	3.73

Investment Characteristics

	Return on invested capital	Debt to equity	Dividend yield	Price to free cash flow
Portfolio	17.3	48.2	0.9	16.82
Benchmark ²	6.0	96.8	1.9	20.41

Sector Allocations

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	5.05	-5.05
Materials	3.87	7.48	-3.61
Industrials	39.30	19.94	19.35
Consumer Discretionary	16.70	13.34	3.35
Consumer Staples	3.36	4.81	-1.45
Health Care	9.63	9.64	-0.00
Financials	4.39	15.07	-10.68
Information Technology	20.89	11.29	9.59
Communication Services	0.00	2.96	-2.96
Utilities	0.00	2.50	-2.50
Real Estate	1.22	7.91	-6.69
Cash	0.64	0.00	0.64
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.

Positioning and Outlook

The Fund's outlook remains largely unchanged month on month. Global economic growth is expected to be robust in 2024 with the US likely to deliver reasonable GDP growth as ongoing fiscal support remains strong, and unemployment remains low. The approaching US election may provide some volatility in the short term however, the Fund's view remains unchanged from last year believing that the large fiscal stimulus provided by the US administration will continue to be a robust tailwind for US and global growth preventing any material recession in the Western economies. The Fund is also expecting significant investment from European governments and utility companies into the European grid upgrade in the coming years. Specific focus areas including the manufacturing renaissance in the US, onshoring, data centre investment and the evolution of artificial intelligence; and finally, the move to decarbonisation and the associated electrical grid upgrade continue to provide exciting investment opportunities within the global small-cap market.

The Fund continues to seek out unrecognised growth opportunities in stocks leveraged to the identified themes and growth tailwinds including onshoring, data centres and electrical grid upgrades. We believe that these themes combined with the identification of excellent company management teams can lead to robust shareholder outcomes. Core positions continue to be Sterling, Atkore and EMCOR which are exposed to these thematics. While the Fund saw some profit taking in some of the key names like Atkore and Powell (a leading provider of electrical Switch Gear in the US) this quarter the potential for unrecognised growth still appears strong for the coming quarters and years.

The Fund remains overweight both US and European industrials, with a focus on electrical equipment including the ongoing investment in the US and European electricity grid and the associated increase in construction and infrastructure investment. The Fund is also overweight the Consumer Discretionary sector. Since the start of the year, US homebuilder exposure was lifted via TopBuild and Installed Building Products. TopBuild is one of the leading providers of insulation to both the residential and non-residential construction sectors in the US.

The Fund is underweight the consumer, specifically apparel and core retail exposure as the US and global consumer is still at risk from elevated interest and inflation rates, although we believe the peak in these is behind us. The Financial sector is underweight alongside the Real Estate sector; ongoing elevated interest rates continue to put downward pressure on the earnings of the Real Estate sector.

On a regional basis, the Fund is overweight Europe, Canada and the UK. The Fund is underweight Asia, Japan and Australia.

The Fund remains biased toward niche leaders within their industry, like EMCOR (with its significant exposure to electrical and mechanical construction projects), exposed to strong themes like data centres, AI and onshoring which we expect to deliver positive earnings surprises in the near and mid-term. While we think central banks will maintain restrictive monetary policies during the year, this will be the year of peak rates. The US Federal Reserve has indicated there will be cuts later this year although continued commentary is suggesting one to two cuts only. This peaking of rates and the stabilisation of inflation at these lower levels, combined with attractive valuations for global small caps relative to large caps, should provide a good base for potential relative outperformance. We continue to find unrecognised growth opportunities in our universe of under-researched small caps.

Region Allocation

Country	Fund %	Index ² %	Tilt %
North America	69.25	64.69	4.56
Japan	7.37	12.20	-4.83
United Kingdom	6.83	5.39	1.45
Europe (Ex United Kingdom)	14.10	11.78	2.32
Asia Pacific (Ex Japan)	1.81	4.94	-3.14
Middle East	0.00	1.00	-1.00
Cash	0.64	0.00	0.64
Total	100.00	100.00	0.00



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