

Ausbil Australian SmallCap Fund

Quarterly performance update

March 2025

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‘As bottom-up fundamental investors, we resist the temptation to react to short-term noise’

Performance Review

Fund performance for the quarter ending March 2025 was -0.12% (net of fees) versus the benchmark return of -2.00%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

The March quarter was characterised by significant volatility and uncertainty due to tariff concerns, escalating geopolitical tensions and signs of a potential economic slowdown. Market sentiment waned which is a far cry from the euphoria that followed President Trump's election victory late last year. We are conscious of tariff exposure and note that less than 20% of the Fund is directly exposed to USD denominated revenue, with less than 10% of the Fund having direct tariff exposure (imports into the US). After the most volatile reporting season in some time, March saw expensive and consumer-facing stocks sell off, with a rotation into defensives and resources, particularly gold given it's perceived safe-haven characteristics. We have been using this as an opportunity to “high-grade” the Fund by adding to conviction names such as **Light & Wonder**, **Life360**, **Codan**, and **Tuas**.

Pleasingly, the Ausbil Australian Small Cap Fund broadly preserved capital in very trying market conditions, down -0.12% for the quarter, ahead of the Small Ordinaries Index which fell -2.0%. Despite the Fund being underweight Resources, which outperformed the index strongly, we are pleased to have still outperformed the benchmark.

Contribution over the quarter came from longstanding high conviction names in the Fund and the gold space, including **Generation Development Group**, **Genesis Minerals** and **Ora Banda Mining**. Detractors for the quarter include **Zip Co**, **Maas Group Holdings** and **Pinnacle Investments**.

Key Contributors

Generation Development Group (GDG) had a stellar start to the year, up +40.2% over the quarter. This came on the back of the strategically and financially accretive acquisition of Evidentia, as well as another strong earnings beat in February. Evidentia complements the existing offering of Lonsec and cements GDG's leadership as the largest, at-scale provider in the fast-growing managed account market, which is expected to grow at an ~17-20% industry CAGR over the medium-term.

Genesis Minerals (GMD) rose +50.2% over the March quarter, supported by both a rising gold environment and operational efficiencies across the Leonora and Laverton assets. Post the start-up of the Laverton mill in the December quarter, GMD has now been able to reach consistent nameplate processing capacity at the mill. The company is pursuing an accelerated growth strategy aiming to become a leading Australian gold producer with a production target well above current output.

OraBanda Mining (OBM) had a phenomenal quarter, up +67.8%. OBM operates the 100% owned Davyhurst Gold Project (DGP) in Western Australia's Eastern Goldfields. OBM is rapidly establishing itself as a significant gold producer already, on its way to hitting 100koz in FY25, pushing to 150koz in FY26. We believe OBM is positioned for additional expansionary and exploratory activities within the Australian gold space as it looks to increase its reserves and resource base across its tenements over 2025.

Key Detractors

Zip Co (ZIP) fell hard, falling -45.6% over the quarter, triggered initially by a quarterly result in January that fell short of high market expectations. While the US business, which is the core growth driver, beat high expectations on both TTV and revenue, higher operating costs and a muted Australian performance saw a large EBITDA miss for the quarter and a savage share price reaction, despite only modest full-year earnings revisions. The position size had been managed ahead of the share price volatility, however, we now note the valuation has now pulled back to a record low ~14x PE and represents compelling value, in our view.

Maas Group Holdings had a disappointing quarter, falling -24.4% after downgrading full-year earnings guidance at its result in February, largely due to the delay of major civil projects. Project delays will be resolved in time and there are early signs the bulk of major projects will commence in 2H25. Maas Group is now trading at a very attractive valuation of <12x FY26 PE for ~25% 2-year EPS CAGR, and owner-operator Wes Maas, is aligned and incentivised to maximise shareholder returns.

Pinnacle (PNI) fell -23.1% despite delivering a stellar result. Concerns over ‘peak earnings’, ‘high beta’ exposure to equity market performance, and the risk of slowing inflows, are all weighing on the stock. However, we see PNI as a well-diversified platform, with a growing mix of private markets assets and having a multi-dimensional growth runway ahead of it.

Outlook

The rollercoaster of volatility continued into March, against the backdrop of fluid macro-economic data and the impending and uncertain outcome of reciprocal Tariffs announced by President Trump. We acknowledge that macro conditions are inherently difficult to predict—whether it's interest rates, geopolitical events, or policy shifts. As bottom-up fundamental investors, we resist the temptation to react to short-term noise. Rather, we focus on what we can control: rigorous bottom-up analysis, understanding the businesses we own, and maintaining discipline in our investment process. By prioritising, quality companies with strong balance sheets and high returns on capital, we aim to limit drawdowns, positioning the Fund for strong recovery and long-term outperformance. Staying grounded in fundamentals, rather than emotions, is key to navigating market volatility.

Returns¹ as at 31 March 2025

Period	Fund Return ¹ %	Bench-mark ² %	Out/Under performance %
1 month	-5.01	-3.60	-1.40
3 months	-0.12	-2.00	1.88
6 months	4.38	-2.99	7.37
1 year	12.71	-1.26	13.97
2 years pa	19.53	6.01	13.51
3 years pa	8.73	-0.82	9.54
4 years pa	13.49	1.71	11.78
Since inception pa Date: 30 April 2020	23.14	7.46	15.68

Top 5 Stocks³

1. Aussie Broadband
2. Codan
3. Generation Development Group
4. Genesis Minerals
5. Life360



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1. Fund returns are net of fees.

2. S&P/ASX Small Ordinaries Accumulation Index.

3. Top 5 stocks sorted alphabetically.



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