

# Ausbil Australian SmallCap Fund

## Monthly performance update

May 2025

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'May recorded the second best absolute return since the Funds inception'

### Performance Review

Fund performance for May 2025 was +11.23% (net of fees) versus the benchmark return of +5.76%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

### Fund Review

The market staged a strong rally in May as tariff fears dissipated due to more conciliatory trade signals from the Trump Administration, including a significant reduction in the proposed tariff on China. This was supported by a better-than-feared US corporate earnings season along with several positive US economic datapoints that, in aggregate, paint to a more robust underlying economic picture than was feared in April. The market returned to a 'risk-on' sentiment and quality names that were hit hard in the April de-risking staged particularly strong rebounds.

Avoiding significant drawdowns during a market sell off like we saw in April is critical to preserving capital and positions you well to capture any eventual recovery in markets. Simple but not easy. Pleasingly, the Ausbil Small Cap Fund managed to deliver performance well above the strong benchmark, delivering +11.23% over the Month of May, the Fund's second strongest absolute month since inception.

Contribution over the month came from **Life360** (360), **Generation Development** (GDG) and **Genesis Minerals** (GMD). Detractors for the month included **Propel Funerals** (PFP), **Imdex** (IMD) and **ARB Corporation** (ARB). We were particularly pleased to see GDG as one of our top contributors given it was the Fund's top detractor last month. We added to our position last month and the result miss did not shake our conviction in the broader thesis.

### Key Contributors

**Life360** (360) returned +51.9% in May after an exceptional quarterly result that broadly exceeded consensus expectations across paying circles, revenue and EBITDA. Subscription revenue guidance was upgraded for the full year after delivering strong paying user growth in a seasonally softer quarter. We wrote last month that Life360's vision of a full family ecosystem is beginning to emerge. This quarter showed further validation, with new partnerships formed with AccuWeather and Aura. We continue to believe the market is underestimating the potential of 360's pet hardware offering to materially accelerate user adoption and lifetime customer value.

**Generation Development Group** (GDG) surged +34.5% recovering from the fall the month prior. In May, GDG announced a strategic partnership with Blackrock to co-design and distribute retirement income solutions in Australia. The collaboration is expected to accelerate GDG's organic push into annuities, capitalising on a generational shift from accumulation to deaccumulation and a more favourable policy environment following the Retirement Income Covenant. GDG's early-stage annuities division had previously attracted little market attention but now offers meaningful optionality value. We believe Blackrock acquiring a minority stake in GDG is also a strong endorsement of the company and its long-term growth potential.

### Key Detractors

**Propel Funerals** (PFP) fell -13.3% in May. While nothing is more certain than death and taxes, the death rate across PFP's end markets has been noticeably weak this CYTD which resulted in a trading update and a reasonable cut to FY25 consensus forecasts. The good news (or bad news – depending how you view it) is that death volumes ultimate mean-revert and they are unlikely to stay depressed for extended periods of time. Accordingly, we are sticking with the position and remain of the conviction that PFP can capitalise on a number of organic and inorganic opportunities in the future.

**Imdex** (IMD) fell -3.7% in May, however this is after returning +28.5% in the first 4 months of the calendar year on the back of stronger gold and copper prices, and associated capital raising activity. IMD provided a trading update at the Macquarie Conference, slightly lower than market expectations, however, directionally it was still positive.

### Outlook

We remain reasonably optimistic about the outlook for equity markets, despite the recent volatility. Investors continue to contend with a range of potential challenges, whether it is geopolitics or tariffs - there is always something to worry about, particularly in small caps. However, none of the risks are insurmountable, and we continue to expect the market to climb the wall of worry. We expect that bilateral negotiations on the geopolitics/tariff front will prevail and, to date, global economic data has been resilient, and as uncertainty diminishes, conditions will see a potential increase in GDP at the back end of this year. We are still firmly of the view that now is not the time to be taking unnecessary risks in the Fund, rather we continue to focus on what we can control: rigorous bottom-up analysis; understanding the businesses we own; and maintaining discipline in our investment process.

### Returns<sup>1</sup> as at 31 May 2025

Period	Fund Return <sup>1</sup> %	Bench-mark <sup>2</sup> %	Out/Under performance %
1 month	11.23	5.76	5.47
3 months	7.49	3.83	3.66
6 months	9.78	2.31	7.47
1 year	30.70	9.76	20.94
2 years pa	27.59	10.34	17.25
3 years pa	16.89	4.68	12.21
4 years pa	15.28	2.29	12.99
5 years pa	22.71	6.77	15.93
Since inception pa Date: 30 April 2020	25.31	8.79	16.53

### Top 5 Stocks<sup>3</sup>

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

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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