

Ausbil Global SmallCap Fund

Quarterly performance update

June 2025

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'The Fund continues to be overweight Europe versus the US given the attractive valuations and potential earnings upside we see in Europe'

Performance Review

Fund performance for the quarter ending June 2025 was +10.27% (net of fees) versus the benchmark return of +6.10%, as measured by the MSCI World Small Cap Net Total Return Index.

The MSCI World Small Cap delivered a robust return of +6.10% over the quarter in AUD. Canada and Denmark were the main positive contributors for the Fund, while the UK and Germany were the main negative country allocations for the Fund.

In terms of sector performance, the Materials and Financials sectors were the main negative detractors for the Fund. Industrials was the best performing sector for the Fund during the quarter, with Information Technology being the second-best performer.

Notable positive contributors over the period were Hammond Power Solutions and Celestica both in Canada. EastGroup Properties and Chemed Corp were the main negative contributors during the quarter.

Contributors and Detractors

Hammond Power Solutions (HPS) is the main manufacturer of dry-type transformers in North America, alongside magnetic products, and related equipment. Founded in 1917, the company has a long-standing reputation for providing high-quality and innovative solutions for power conversion, distribution, and control applications. HPS specialises in designing and manufacturing a wide range of transformers, including low voltage, medium voltage, and specialty transformers for various industries such as industrial, commercial, and utility sectors. We believe that the ongoing investment to upgrade and expand the US electricity grid will lead to large demand increases for Hammond's high quality electrical products. In its recent update to the market, the company highlighted strong order book growth in its most profitable segment of customised transformer solutions, which supports our conviction in the company's ability to deliver unrecognised earnings growth in the coming years.

EastGroup Properties is a leading industrial real estate company operating in the sunbelt states in the Southern US. EastGroup's properties are focused on facilitating e-commerce, last-mile, and same day delivery. They predominantly own and lease smaller warehouses in metropolitan areas, a niche they have carved out for themselves over recent years. The company has a strong record of delivering robust cash flows and has increased or maintained its dividend for 32 consecutive years; increasing in each of the last 13 years. EastGroup had performed well during Q1 2025, and gave back some of this strong performance during the most recent quarter, however, the company did report robust results this quarter with a small positive beat on revenues versus the market consensus while also raising full year guidance.

Performance

Returns¹ as at 30 June 2025

| Period | Fund Return % Net | Bench- mark ² % | Out/Under Performance % Net |
|---|-------------------------|----------------------------------|--------------------------------------|
| 1 month | 2.87 | 2.85 | 0.02 |
| 3 months | 10.27 | 6.10 | 4.17 |
| 6 months | -1.09 | 1.49 | -2.58 |
| 1 year | 16.81 | 16.66 | 0.15 |
| 2 years pa | 18.28 | 12.65 | 5.63 |
| 3 years pa | 17.27 | 13.98 | 3.30 |
| 4 years pa | 5.47 | 5.98 | -0.51 |
| 5 years pa | 12.69 | 12.08 | 0.61 |
| 7 years pa | 8.32 | 8.33 | -0.01 |
| Since inception pa Date: 31 May 2018 | 8.49 | 8.54 | -0.05 |

Top 10 Stock Holdings

| Name | Fund % | Index ² % | Tilt % |
|---------------------------------|-----------|-------------------------|-----------|
| Hammond Power Solutions | 4.91 | 0.01 | 4.90 |
| Mueller Industries | 4.87 | 0.10 | 4.77 |
| Powell Industries | 4.80 | 0.02 | 4.78 |
| NKT | 4.77 | 0.05 | 4.72 |
| Applied Industrial Technologies | 3.71 | 0.10 | 3.61 |
| Atkore | 3.06 | 0.03 | 3.03 |
| ANDRITZ | 2.66 | 0.06 | 2.61 |
| EastGroup Properties | 2.55 | 0.10 | 2.45 |
| SSAB AB | 2.47 | 0.04 | 2.43 |
| Sprouts Farmers Market | 2.34 | 0.18 | 2.16 |

Investment Characteristics

| | Return on invested capital | Debt to equity | Dividend yield | Price to free cash flow |
|------------------------|-------------------------------------|-------------------|-------------------|----------------------------|
| Fund | 15.0 | 43.8 | 1.7 | 4.19 |
| Benchmark ² | 6.8 | 96.5 | 1.0 | 22.14 |

Sector Allocations

| Sector | Fund % | Index ² % | Tilt % |
|------------------------|---------------|-------------------------|-------------|
| Energy | 0.00 | 4.02 | -4.02 |
| Materials | 11.31 | 7.30 | 4.01 |
| Industrials | 40.75 | 20.05 | 20.70 |
| Consumer Discretionary | 5.11 | 12.58 | -7.47 |
| Consumer Staples | 5.71 | 4.32 | 1.39 |
| Health Care | 7.07 | 8.57 | -1.50 |
| Financials | 10.22 | 15.59 | -5.37 |
| Information Technology | 9.15 | 13.34 | -4.19 |
| Communication Services | 0.00 | 3.48 | -3.48 |
| Utilities | 0.00 | 2.76 | -2.76 |
| Real Estate | 9.26 | 7.96 | 1.29 |
| Cash | 1.43 | 0.00 | 1.43 |
| 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.

Outlook

The second quarter of 2025 has been characterised by heightened market volatility, with a significant fall in markets as President Trump announced his broad list of country tariffs on 2 April, “Liberation Day”. The decision to impose new trade barriers and significant tariffs on China and the European Union introduced fresh uncertainty into global markets, contributing to fluctuations in equity valuations. The initial reaction was significantly negative with risk assets selling off. However, markets have recovered strongly since the initial shock of Liberation Day.

The Fund continues to be overweight Europe versus the US given the attractive valuations and potential earnings upside we see in Europe, driven by more business-friendly governments and potential fiscal spending plans coming to fruition with a focus on European infrastructure and defence. In the lead up to the NATO summit held in May, several of the main European countries including the UK and Germany, committed to higher spending as a percentage of GDP on defence, and defence-related infrastructure and support services.

During the first quarter of 2025, the Fund noted significant indiscriminate selling of some high-quality companies, a reflection of broader risk aversion rather than fundamental weakness. Hammond Power Solutions (HPS) was among the names that experienced significant share price declines despite strong operational performance. This pattern suggested that investors, spooked by macroeconomic concerns, moved capital away from fundamentally solid businesses, creating potential opportunities for long-term investors willing to look past short-term noise. The Fund maintained its high weight in HPS and was rewarded during this most recent quarter as the share price recovered strongly, boosted by a decent set of results and an ongoing large order book.

Region Allocation

| Region | Fund % | Index ² % | Tilt % |
|----------------------------|--------|----------------------|--------|
| North America | 53.46 | 64.18 | -10.72 |
| Japan | 4.68 | 12.60 | -7.91 |
| United Kingdom | 6.91 | 4.98 | 1.93 |
| Europe (Ex United Kingdom) | 30.25 | 11.85 | 18.39 |
| Asia Pacific (Ex Japan) | 3.27 | 4.97 | -1.70 |
| Middle East | 0.00 | 1.43 | -1.43 |
| Cash | 1.43 | 0.00 | 1.43 |
| Total | 100.00 | 100.00 | 0.00 |

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