

# Ausbil Australian SmallCap Fund

## Quarterly performance update

December 2025

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'Even after a strong three years for equity markets, there are many reasons to maintain a positive outlook in 2026'

### Performance Review

Fund performance for the quarter ending December 2025 was -8.09% (net of fees) versus the benchmark return of +1.80%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

### Fund Review

Equity markets recorded a strong year in 2025, though it wasn't achieved without a healthy dose of volatility. For the year, small caps returned +24.96%, outperforming both large-cap<sup>4</sup> (+7.61%) and mid-cap<sup>5</sup> (+18.35%) returns, a strong result underpinned by rate cuts and a broadening of the equity rally. Within small caps, it was small resources<sup>6</sup> (+73.00%) that shone bright, largely thanks to gold, while small industrials<sup>7</sup> delivered a more modest +8.79%. In that context, we are pleased with the Fund's return of +25.35% net of fees despite the pull back in industrial names and resurgence in resources particularly towards the second half of 2025. Since inception, the Fund has returned +24.68% pa (net of fees), outperforming the Small Ordinaries return of +11.10% pa.

The Fund had been tracking to a stellar outperformance relative to the benchmark heading into the final quarter of the year, driven by strong returns from **Life360**, **Generation Development**, **Genesis Minerals**, **Codan** and **Aussie Broadband**. However, a pull-back in winners such as **Life360** (which we have added to), and a rapid market rotation into resources saw the Fund give back most of that relative performance.

The December quarter saw an aggressive rotation out of previous winners into cyclicals driven by rising commodity prices and the rising risk of earlier than anticipated rate hikes in Australia impacting longer-duration names and domestic consumer discretionary companies. The Small Industrials returned -4.02% relative to the Small Resources returns of +15.62% in the quarter. The Fund has used the opportunity to add selective exposure into producing resource names, in addition to mining services and contractors (picks and shovels), benefiting from an improved capex environment, while also adding selectively to high-conviction positions on pullback such as **Life360**.

Contribution over the quarter came from **Genesis Minerals** (GMD) and **Light and Wonder** (LNW). Detractors for the quarter included **Life360** (360) and **Temple & Webster** (TPW).

### Key Contributors

**Generis Minerals** (GMD) returned +23.1% for the quarter, rounding out a +193.5% gain for the year on the back of good operational execution and a strong gold price. We see significant upside to production over the long term relative to market expectations.

**Light & Wonder** (LNW) increased +21.5% over the quarter. A better-than-expected 3Q25 result, in conjunction with more certainty around the primary Australian listing (from the NASDAQ) were the key drivers. As the vagaries around key market concerns abated, the market returned to a focus on fundamentals – a company delivering approximately +20% EPS growth over the next 3-years which is trading at an undemanding multiple, relative to peers and the broader market.

4. S&P/ASX 50 Accumulation Index
5. S&P/ASX ASX Midcap 50 Accumulation Index
6. ASX Small Resources Accumulation Index
7. ASX Small Industrials Accumulation Index

### Key Detractors

**Life360** (360) fell -37.0% over the quarter as a sharp rotation away from long-duration, technology stocks and a reclassification of its ASX listing to Foreign Exempt status exacerbated selling pressure. Despite the sell-off, 360 has returned +48.8% this year and is now back to a highly attractive valuation multiple relative to the prospect of +38% EBITDA CAGR growth over the next 3-years on consensus estimates. We believe there to be significant upside to consensus earnings through a broader advertising solution, the rollout of the now launched pet product, opportunities in elder care and ongoing user growth.

**Temple & Webster** (TPW) fell -40.5% following an underwhelming trading update at its AGM where the company reported +18% revenue growth FYTD. Consensus expectations were looking for around +23% revenue growth for the 1H26 and therefore fell short of market expectations. Whilst the short-term share price performance is disappointing, valuation has always limited our position size. We have maintained the position with confidence in managements \$1b revenue target, their over \$150m cash on balance sheet and an active buyback.

### Outlook

Even after a strong three years for equity markets, there are many reasons to maintain a positive outlook in 2026: corporate earnings remain robust; AI is underpinning business investment and productivity gains; monetary and fiscal stimulus are expected in the US; and tariff noise is receding into the background. However, against this backdrop, caution is warranted given bullish positioning, AI capex concerns, geopolitical uncertainty, pockets of consumer weakness and a more hawkish central bank stance in Australia. This is not to mention the aggressive rotation under the surface out of prior winners into previous laggards, particularly in materials. We have increased exposure to materials and proxies while maintaining a disciplined focus on profitable, liquid, sustainable business models. Importantly, we maintain significant exposure to names where we remain highly convicted on the earnings outlook.

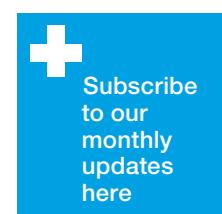
### Returns<sup>1</sup> as at 31 December 2025

Period	Fund Return <sup>1</sup> %	Bench-mark <sup>2</sup> %	Out/Under performance %
1 month	-3.28	1.42	-4.70
3 months	-8.09	1.80	-9.90
6 months	9.89	17.39	-7.50
1 year	25.35	24.96	0.39
2 years pa	27.53	16.36	11.17
3 years pa	21.62	13.44	8.17
4 years pa	11.86	4.48	7.38
5 years pa	17.31	6.85	10.45
Since inception pa Date: 30 April 2020	24.68	11.10	13.58

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

1. Generation Development Group
2. Genesis Minerals
3. Life360
4. Light & Wonder
5. Tuas

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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