

Ausbil MicroCap Fund

Quarterly performance update

September 2025

Ausbil Investment
Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

Returns¹ as at 30 September 2025

Period	1 month	3 months	6 months	1 year	2 years pa	3 years pa	5 years pa	7 years pa	10 years pa	15 years pa	Since Inception pa ²
Fund return %	4.08	22.65	33.94	38.02	40.46	26.08	19.41	16.57	16.87	19.99	21.47
Benchmark ³ %	13.40	29.66	32.47	28.73	25.20	15.00	14.16	12.62	12.95	5.69	6.49
Out/under performance %	-9.32	-7.01	1.47	9.28	15.26	11.07	5.25	3.95	3.92	14.29	14.98
Reference Index ⁴ %	3.44	15.31	25.25	21.50	20.14	15.54	9.27	6.61	9.62	5.41	5.80
Out/under performance %	0.64	7.34	8.69	16.51	20.32	10.54	10.15	9.97	7.26	14.58	15.67

'We remain disciplined in finding profitable and liquid companies with sustainable business models set to benefit from AI'

Performance Review

Fund performance for the quarter ending September 2025 was +22.65% (net of fees) versus the benchmark return of +29.66%, as measured by the S&P/ASX Emerging Companies Accumulation Index, and the reference index return of +15.31%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

The September quarter was a strong period for markets driven by a confluence of AI enthusiasm, resilient corporate earnings, interest rate cuts, cautious prior positioning and easing tariff concerns. Over the quarter, the rotation from large caps to small caps has begun to gather pace, coinciding with multiple interest rate cuts that began in February this year. Small caps were particularly strong, delivering +15.31%, outperforming the ASX 100 return of +3.78% over the quarter. The Small Resources index rose +25.63%, which flowed through into the resources heavy Emerging Companies Index return of +29.66%. Contribution over the quarter came from long-held high conviction positions, notably **Tuas** (TUA) and **Aussie Broadband** (ABB). Detractors for the quarter included **EQT Holdings** (EQT) and **Greatland Gold** (GGP).

Key Contributors

Tuas (TUA) returned +17.5% over the quarter following the transformational acquisition of Singapore competitor M2, and up +26.8% from the placement price which the Fund participated in. While we wrote in our July report that M&A could present an attractive accretive opportunity, we did not believe that the timing could be so soon, and the accretion so large! TUA then reported full-year results in September which were slightly ahead of consensus expectations and demonstrated strong operating trends into FY26. We now await formal regulatory approval from the Singaporean regulator which we believe is highly likely. Industry consolidation from 4 players to 3 should lead to favourable competitive industry dynamics, with significant revenue and cost synergies to be realised by a well credentialed management team.

Aussie Broadband (ABB) returned +48.8% after what felt like a period of 'long service leave' for the Fund, to deliver an outstanding FY26 result, a new 6-year wholesale agreement with More Telecom adding 250,000+ connections, and the sale of loss making 'Buddy' brand. While FY25 was a transition year for ABB, we held and increased the Fund's position substantially while it was undervalued and under owned so are pleased to see ABB rewarded for successful execution. NBN has recently launched an 'Accelerate Great' partnership with NBN providers to accelerate higher speed tier adoption which we believe is acting as a 'churn' event for consumers, with NBN challengers such as ABB & Superloop (SLC) set to benefit at the expense of larger and established Telco peers. With an underutilised balance sheet, we believe the prospect of further accretive M&A could be back on the agenda for ABB.

Key Detractors

EQT Holdings (EQT) fell -28.3% for the quarter. Strong full-year results were overshadowed by news that ASIC had commenced civil proceedings against a subsidiary in relation to trustee due diligence. While a disappointing and unfortunate event, EQT's defensive and recurring revenue streams provides a solid foundation for a recovery, but progress will depend on resolving regulatory challenges and rebuilding investor confidence.

Greatland Gold (GGP) was hit hard in July after a surprise FY26 production downgrade barely one month after IPO, then recovered due to a strong gold price late in the quarter. The downgrade was an incredibly disappointing outcome that severely damaged management credibility given the proximity to IPO. It also came with an increase in cost guidance. Credibility in the public markets is difficult to earn and easy to lose, and a material downgrade to guidance so soon after IPO makes for a tough start to the ASX.

Outlook

Following three interest rate cuts in Australia over 2025, conditions are accommodative for small caps to continue to play catch up to their large cap peers, while also offering relatively superior growth prospects. We are observing more market interest in micro caps, which we expect to continue as risk appetite shifts down the market capitalisation band. We believe the effects of recent interest rate cuts will have a lasting impact for at least the next 12 months, setting up an elongated housing cycle. Corporate balance sheets are generally in great shape in the small and micro-cap space, facilitating a return to capital management and increasing confidence in acquisitive growth. We are seeing many companies begin to present on their artificial intelligence (AI) initiatives which will continue to evolve and support productivity gains. We remain disciplined in finding profitable and liquid companies with sustainable business models set to benefit from AI.

Top 5 Stocks⁵

1. Aussie Broadband
2. Codan
3. Generation Development Group
4. Superloop
5. Tuas

1. Fund returns are net of fees and before taxes.
2. Date: February 2010.
3. S&P/ASX Emerging Companies Accumulation Index.
4. S&P/ASX Small Ordinaries Accumulation Index.
5. Top 5 stocks sorted alphabetically.

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Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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