

Ausbil Australian SmallCap Fund

Monthly performance update

July 2025

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‘Despite a few head fakes around the timing of rate cuts, we continue to expect lower rates, both in Australia and the US, in the coming months’

Performance Review

Fund performance for July 2025 was +4.36% (net of fees) versus the benchmark return of +2.82%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

The month of July was a period of two halves for the Fund. The first two weeks saw heavy selling in FY25 ‘winners’ or ‘crowded names’ partly attributable to deferred capital gains selling, as well as funding of annual distributions, while many ‘losers’ from FY25 recovered from heavy tax loss selling in the preceding months of May and June. We were pleased to see the Fund recover strongly in the final weeks of July as the ordinary course of business resumed, and high-quality companies recovered ahead of August reporting season.

August reporting season acts as the Fund’s bi-annual scorecard (together with HY reporting in February), and the team will engage in over 100+ company meetings over the next few weeks with few outlook statements expected. However, RBA rate cuts should continue to support the case for a more favourable equity market environment for small and micro-cap companies.

Contribution over the month came from **Aussie Broadband** (ABB) and **Generation Development Group** (GDG). Detractors for the month included **Genesis Minerals** (GMD) and **Tuas** (TUA).

Key Contributors

Aussie Broadband (ABB) returned +15.4% in July after what we would describe as an extended period of ‘long service leave’ in the share price since losing the Origin contract to fellow NBN Challenger (and Fund holding) **Superloop**. While painful, our thesis for the NBN challenger coupled with compelling valuation support vindicated our decision to maintain and add to a highly cash flow generative, growing NBN challenger. We look forward to ABB reporting it’s FY25 result in August.

Generation Development Group (GDG) returned +10.2% for the month. GDG delivered a mixed Q4 FUM update with Evidentia FUM well below prior expectations, though the remaining core business divisions in Research and Investment Bonds exceeded estimates. While the Evidentia result was disappointing, it continues to grow at double the pace of the broader managed account industry. GDG remains a high-conviction position underpinned by leadership in specialist but fast-growing markets where scale and distribution advantages continue to drive market share gains over the medium-term.

1. Fund returns are net of fees.
2. S&P/ASX Small Ordinaries Accumulation Index.
3. Top 5 stocks sorted alphabetically.

Key Detractors

Genesis Minerals (GMD) dropped -14.2% in July in-line with the ASX Gold index which weakened as market sentiment shifted toward ‘risk on’ and a pivot out of last financial year’s ‘winners’. This sentiment shift, combined with some profit-taking after a strong FY25, saw Genesis give back much of the gains of the prior few months, noting Genesis still finished July up +49.3% calendar YTD. Compounding the situation was a slightly soft quarterly, which was a little higher on costs than expected. However, we see this as a transient concern and continue to back a high-quality management team.

TUAS (TUA) fell -9.8% in July after delivering a strong +34.6% in the financial year to 30 June 2025. Market data tracking downloads for TUA indicated an acceleration in growth over recent months; however, a change in data source resulted in the new data no longer demonstrating a strong correlation with historical actual results. We have no reason to believe the acceleration of download data has adversely changed, in fact, we have reason to believe it has continued in a positive trajectory, setting up another strong FY25 result in September. We also believe M&A could present an attractive opportunity for the group which could be a highly accretive opportunity and propel TUA into the S&P/ASX 200 with a wider audience of prospective investors. Remains high conviction and we added to the position.

Outlook

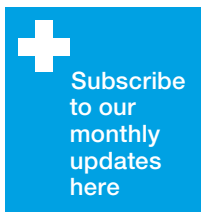
Despite a few head fakes around the timing of rate cuts, we continue to expect lower rates, both in Australia and the USA over the coming months. This underpins our optimism around equity markets into the back end of 2025. So long as broader economic and corporate data does not materially underwhelm and the US avoids slipping into recession, there is still ample support available (both fiscal and monetary) to underpin economic growth, which is ultimately good for equity markets. Against this backdrop, many have questioned the durability of the rally, however we would expect the breadth of the rally to improve as excess cash on the sidelines is subsequently put to work. This likely signals a shift toward more individual stock-picking, which is more akin to the Ausbil fundamental bottom-up process.

Returns¹ as at 31 July 2025

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	4.36	2.82	1.54
3 months	17.16	9.67	7.50
6 months	12.57	4.65	7.92
1 year	29.81	11.53	18.29
2 years pa	27.88	10.40	17.48
3 years pa	20.24	7.09	13.14
4 years pa	14.32	2.27	12.05
5 years pa	22.42	7.67	14.74
Since inception pa Date: 30 April 2020	25.65	9.25	16.41

Top 5 Stocks³

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





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