

# Ausbil Australian SmallCap Fund

Quarterly performance update

September 2025

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'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 +19.57% (net of fees) versus the benchmark 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. Notably Small Resources rose +25.63%. Against this backdrop, we are pleased to report that the Fund delivered +19.57% (net of fees) return over the quarter, well ahead of the Small Ordinaries' +15.31% return. We were particularly pleased with the Fund's outperformance over the August reporting season, which is like the Fund's bi-annual scorecard when our process of picking earnings and earnings revisions is put to the test.

Contribution over the quarter came from long-held high conviction positions, notably **Life360** (360) and **Tuas** (TUA). Detractors for the quarter included **Clarity Pharmaceuticals** (CU6) and **Light and Wonder** (LNW).

## Key Contributors

**Life360** (360) returned +65.4% for the September quarter following a strong second quarter result with an upgrade to full-year subscription revenue and EBITDA. Investor attention now turns to the seasonally stronger 'back-to-school' quarter and download data suggests another strong period of user growth. With several strategic and growth opportunities across pet tracking, elderly monitoring, advertising and off-app billing, we continue to believe 360 is well positioned to continue strong top-line and earnings growth.

**Tuas** (TUA) returned +17.5% over the quarter following the transformational acquisition of Singapore competitor M2, and +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.

## Key Detractors

**Clarity Pharmaceuticals** (CU6) fell from the placement price when we initiated a position in July. Clarity has an exciting and genuinely differentiated product portfolio that will launch into a large and growing radiopharmaceutical market. We see similarities to Telix's product portfolio several years ago. Clarity's ~\$200m equity raising in July de-risked the balance sheet, providing over 2 years of runway potentially all the way to commercialisation. While the stock initially traded strongly post-raise, it then sold off on concerns on ASX 200 index removal and weak competitor results. However, after 30 September, the stock has rallied some 30% above the placement price.

**Light & Wonder** (LNW) fell -12.1% in September, with the FY25 result overshadowed by a decision to move to a sole listing on the ASX. Weakness reflected uncertainty around potential passive selling from US investors following its delisting on the Nasdaq. This is all short-term noise in our view. In the fullness of time, we expect the market to return to fundamentals, which in our view remain compelling. LNW continues to offer average EPS growth of around +20% over the next 2-years while trading at a very attractive multiple in an absolute sense and relative to its comps.

## 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.

## Returns<sup>1</sup> as at 30 September 2025

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	1.79	3.44	-1.65
3 months	19.57	15.31	4.26
6 months	36.55	25.25	11.30
1 year	42.53	21.50	21.03
2 years pa	37.52	20.14	17.38
3 years pa	28.48	15.54	12.95
4 years pa	16.05	4.54	11.51
5 years pa	23.51	9.27	14.24
Since inception pa Date: 30 April 2020	27.95	11.28	16.66

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

1. Generation Development Group
2. Genesis Minerals
3. Life360
4. Tuas
5. Zip

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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