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Ausbil MicroCap Fund

Quarterly performance update

June 2026

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Returns[1] as at 30 June 2026

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 %	0.60	11.31	-2.98	19.05	21.05	25.07	12.29	15.10	14.61	16.59	20.17
Benchmark[3] %	-4.07	-0.47	-6.96	30.70	19.24	14.39	8.29	12.82	10.46	5.55	6.23
Out/Under Performance %	4.67	11.78	3.97	-11.65	1.81	10.68	4.00	2.28	4.14	11.04	13.94
Reference Index[4] %	-2.00	3.32	-7.91	8.11	10.16	9.89	2.98	5.51	7.03	4.98	5.11
Out/Under Performance %	2.60	7.99	4.92	10.94	10.89	15.18	9.31	9.59	7.58	11.61	15.06

‘Encouragingly, momentum improved significantly towards year end, with the Fund delivering a strong +11.31% return in the June quarter’

Performance Review

Fund performance for the quarter ending June 2026 was +11.31% (net of fees) versus the benchmark return of -0.47%, as measured by the S&P/ASX Emerging Companies Accumulation Index, and the reference index return of +3.32%, as measured by the S&P/ASX Small Ordinaries Accumulation Index. The since inception return for the Fund ending June 2026 was +20.17% p.a. (net of fees) versus the benchmark of +6.23% and Small Ordinaries return +5.11%.

Fund Review

The Fund returned +19.05% (net of fees) for FY26, consistent with the since inception return of +20.17% p.a. (net of fees) delivered since 2010. While this trailed the Emerging Companies Index return of +30.70%, the benchmark is heavily skewed towards early-stage and speculative resource explorers, with the resources complex producing strong 12-month returns. By comparison, the Fund outperformed the Small Ordinaries Index return of +8.11%.

Performance across the year was not uniform and characterised by a particularly strong start and finish during the first and fourth quarters. A challenging six-month period to March coincided with a confluence of market factors, including the sharp correction in the Technology sector amid the so-called “SaaSpocalypse”, an unexpected shift in RBA policy from rate cuts to rate hikes that weighed heavily on Consumer Discretionary, and rising geopolitical tensions in the Middle East which drove energy prices higher. At the same time, a strong rally in resources—particularly among speculative and unprofitable companies—created a market backdrop that was less supportive of the Fund’s investment style.

Encouragingly, momentum improved significantly towards year end, with the Fund delivering a strong +11.31% return in the June quarter. As we enter FY27 with positive momentum, we do so with increased conviction in our portfolio holdings, particularly as we approach the important August reporting season, providing a key catalyst for a number of our holdings to demonstrate recent weakness was largely a short-term dislocation. Herein lies the opportunity in our view.

Key contributors to performance over the year included long-term holding **Codan** (+123%), electrical specialists **GenusPlus** (+177%), **Tasmea** (+171%), **Southern Cross Electrical** (+121%) and building materials group **Wagners** (+112%). Detractors were centred in financial and technology holdings, notably **Catapult, Tuas, Qoria** and **Generation Development Group** – all of which remain Fund holdings.

Looking forward, we believe the environment has become increasingly supportive for smaller companies. Australia is closer to a cyclical peak in domestic rates, geopolitical risks have (slowly) begun to moderate and the investment opportunity associated with AI is broadening. The Small Ordinaries is now trading on a forward P/E ratio of approximately 15x, one standard deviation below its 10-year average, providing an attractive entry point for long-term investors.

Contribution over the quarter came from **Tasmea** (TEA) and **Southern Cross Electrical** (SXE). Detractors for the quarter included **Tuas** (TUA) and **Generation Development Group** (GDG).

Key Contributors

Tasmea (TEA) returned +110.0% for the quarter following the highly accretive acquisition of Maxim, a specialist electrical contractor in Victoria. With deep expertise and established customer relationships in the data centre sector, Maxim provides TEA with an entry point into a rapidly growing market segment. The Fund has been invested in TEA since its 2024 IPO at $1.56. TEA joins other successful founder-led businesses, including GenusPlus (GNP), that returned 53.2% over the quarter following the acquisition of MPC Kinetec and a guidance upgrade in May.

Southern Cross Electrical (SXE) returned +74.2% for the quarter. SXE announced a strong profile of new contracts awards, upgraded FY26 EBITDA guidance and provided initial FY27 EBITDA guidance that was well ahead of market expectations. The company continues to benefit from structural tailwinds across data centres, electrification and infrastructure investment. SXE also completed a well-supported capital raising to fund its growing pipeline.

Top 5 Stocks[5]

1. Codan
2. Genusplus Group
3. Southern Cross Electrical Engineering
4. Tasmea
5. Wagners Holding Company

1. Fund returns are net of fees but before taxes and assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
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

Key Detractors

Tuas (TUA) fell -62.7% over the quarter. Singapore's Infocomm Media Development Authority (IMDA) suspended its review of the proposed Simba-M1 transaction while investigating possible unauthorised spectrum use. This resulted in the lapsing of the transaction by vendor Keppel and a sharp reset in the share price. While any potential regulatory breach would be a serious failure of governance and risk management, there is currently insufficient information to assess the severity or nature of any breach. At the same time, we believe the share price has largely priced in a near worst-case outcome, including the possibility of licence cancellation. We conducted several industry meetings in Singapore and returned optimistic that a worst-case scenario is highly unlikely. We await further updates from the company and, remain aligned with founder and major shareholder David Teoh in seeing long-term shareholder value restored.

Generation Development Group (GDG) fell -14.8% over the quarter. Elevated market volatility, ongoing geopolitical uncertainty and the most significant changes to Australian tax legislation in decades are likely to weigh on net inflows during the typically seasonally stronger June quarter. Temporary rather than structural headwinds in our view, although they have contributed to weaker near-term sentiment. Importantly, the passage of the Capital Gains Tax (CGT) legislation and changes to taxation of trusts, reinforces a once-in-a-generation opportunity for investment bonds. We believe GDG is uniquely positioned to capitalise on this structural growth opportunity.

Outlook

As we closed out the financial year, June was once again characterised by heightened market volatility. In Australia, interest rate expectations appear to have peaked. While the market is not anticipating imminent rate cuts, we believe the domestic rate cycle is nearing its peak, with the Reserve Bank of Australia's next move more likely to be lower than higher.

Domestic small-cap performance remains highly sensitive to the expected path of interest rates. Over the past six months, elevated rates and global geopolitical uncertainty have compressed small-cap valuation multiples as investors rotated towards the perceived safety of large-cap equities. With the cash rate likely to remain on hold and valuations now sitting at approximately 15x forward earnings, one standard deviation below the 10-year average, we believe the risk-reward is becoming more attractive.

Against this backdrop, we have reviewed several rate-sensitive sectors to identify opportunities in areas of the market that have been heavily de-rated. While we acknowledge we may be early, equity markets are inherently forward-looking, and share prices typically begin to re-rate well before earnings reach their cyclical trough.

The Fund remains well positioned to benefit from the long-term structural themes of economy-wide electrification and grid modernisation, while continuing to back companies with idiosyncratic earnings growth opportunities across the technology, financials and industrials sectors.

Looking ahead, our focus turns to the August reporting season. Strong earnings outcomes and positive earnings revisions have the potential to shift investor attention back to company fundamentals.

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