

Ausbil Australian SmallCap Fund

Quarterly performance update

March 2026

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'The past quarter has been one of the more challenging periods in equity markets for some time'

Performance Review

Fund performance for the quarter ending March 2026 was -17.98% (net of fees) versus the benchmark return of -10.87%, as measured by the S&P/ASX Small Ordinaries Accumulation Index.

Fund Review

The escalation of the conflict in the Middle East and the subsequent closure of the Strait of Hormuz, a critical chokepoint for global energy and supply chains, rapidly repriced geopolitical and asset risk. Beware the Ides of March.

Small and micro caps bore the brunt of the sell-off as capital rotated to large caps. The Small Ordinaries Index returned -10.9% for the quarter, relative to the -0.9% return for the ASX 100. Australian small caps also materially underperformed their US counterparts, with the Russell 2000 Index return of +0.9%. The Fund underperformed the Small Ordinaries Benchmark by -7.1% over the quarter, primarily driven by weakness in the Fund's technology and financials positions and limited exposure to energy.

While the geopolitical situation remains fluid, the Fund has continued to selectively add to high-conviction positions given the material pull-back in industrial valuations relative to expected earnings growth.

Contribution over the quarter came from **Superloop** (SLC) and **Codan** (CDA). Detractors for the quarter included **Life360** (360) and **Generation Development Group** (GDG).

Key Contributors

Superloop (SLC) returned +25.5% over the quarter. Both NBN challengers, Superloop and Aussie Broadband, reported solid underlying results, allaying fears of increased competition from incumbent Telstra. Superloop announced the acquisition of Lightning Broadband, a wholesale FTTP network with ~54,000, secured lots expanding the existing Superloop Smart Communities division. Meanwhile Aussie Broadband inked a deal to acquire the AGL telco assets and enter into a strategic partnership.

Codan (CDA) returned +10.6% for the quarter after delivering a strong 1H26 earnings result. Metal detection continues to surprise positively with +46% revenue growth, coinciding with record gold prices. Communications is expected to deliver +19% revenue growth at the top end of managements 15-20% revenue growth target rates. While the CDA valuation multiple has rerated significantly, so too have earnings and the growth outlook. We believe the companies aspiration for M&A is still alive however believe management will remain disciplined. Codan is another successful MicroCap Fund graduate, where the SmallCap Fund is now up over 300% since entry in 2023.

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

Key Detractors

Life360 (360) fell -44% for the quarter. In its March earnings update, 360 delivered a strong full-year earnings guidance, though watered down 1Q expectations given the timing of several non-recurring factors. With investors already tepid on technology stocks, this likely only added to the selling pressure. Fundamentally, we continue to see the core operating business only improving, with strong momentum in user and subscriber activity, that we believe will convert to revenue and earnings upside as the year progresses.

Generation Development Group (GDG) fell -28.7% in sympathy with broader markets. Looking past the volatility, recent developments have significantly improved the medium-term outlook. The recent passage of 'Division 296' superannuation tax presents an opportunity to take investment bonds from the niche to the mainstream as an alternative savings vehicle. Investment bonds today are a ~\$10-15bn industry and even a small reallocation of non-concessional flows would present a major growth opportunity.

Outlook

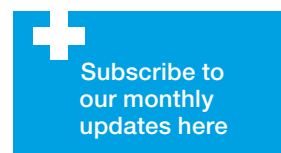
The past quarter has been one of the more challenging periods in equity markets for some time. Once again, the macro trumped the micro, and a confluence of macroeconomic and geopolitical factors were the primary driver of market conditions. The sharp spike in energy prices and the repricing of forward rate expectations foreshadowed significant uncertainty around global growth, which subsequently led to small-cap industrials outperforming small-cap resources. Geopolitics and the Middle East conflict remains the wildcard, however our base case remains for an orderly deescalation of tensions over the near-term. Notwithstanding this backdrop, we remain focused on identifying and building positions in high-quality industrial businesses that have been indiscriminately sold off. In our view, these companies offer compelling long-term value and, over time, should deliver strong performance as fundamentals reassert themselves.

Returns¹ as at 31 March 2026

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	-11.75	-10.96	-0.79
3 months	-17.98	-10.87	-7.11
6 months	-24.62	-9.26	-15.36
1 year	2.94	13.65	-10.72
2 years pa	7.71	5.93	1.78
3 years pa	13.72	8.50	5.22
4 years pa	7.25	2.62	4.63
5 years pa	11.30	3.99	7.30
Since inception pa Date: 30 April 2020	19.47	8.49	10.99

Top 5 Stocks³

- Codan
- Generation Development Group
- Genesis Minerals
- Life360
- Tuas





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