

# Eiger Australian Small Companies Fund

## ARSN 631 961 398 APIR HOW2967AU

### Monthly Fact Sheet August 2019

#### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 August 2019.

Performance <sup>1</sup>	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since Inception % <sup>2</sup>
Eiger Australian Small Companies Fund	-3.33	3.39	-	-	-	-	8.80
S&P/ASX Small Ordinaries Accumulation Index	-3.85	1.41	-	-	-	-	5.31
Active return	0.52	1.98	-	-	-	-	3.48

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. Past performance figures that are less than 12 months are for informational purposes only and are not to be relied upon when considering the likely future performance of the Fund. Source: Fidante Partners Limited, 31 August 2019.

<sup>2</sup> The inception date for the Fund is 26 March 2019.

#### Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund<sup>3</sup> - as at 31 August 2019.

Performance	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since Inception % p.a. <sup>3</sup>
Investment strategy	-3.33	3.39	2.70	8.31	11.97	13.19	9.24
S&P/ASX Small Ordinaries Accumulation Index	-3.85	1.41	0.95	8.43	7.83	7.24	3.14
Active return	0.52	1.98	1.76	-0.12	4.13	5.95	6.10

<sup>3</sup> Eiger Capital launched the Fund on 26 March 2019. Eiger Capital's Stephen Wood and Victor Gomes apply the same strategy to the Fund as they applied between 1 April 2011 and 31 March 2019 to a mandate they managed whilst at another large asset management firm, including the same investment process, methodology and investment universe. For information purposes, we have provided the historical performance of the strategy since 1 April 2011. The strategy's performance represented here is on an after fees basis, whereby returns are adjusted to reflect the Fund's fees as if applied throughout the relevant performance period of the strategy. Source: Fidante Partners Limited, 31 August 2019.

Fund Facts	
Portfolio managers	Stephen Wood, Victor Gomes, David Haddad
Fund inception date	26 March 2019
Investment objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling five year periods (after fees).
Management fee	1.00%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark <sup>4</sup>
Buy/sell spread	+0.40% / -0.40%
Fund size	\$5.3M
Distribution frequency	Quarterly

<sup>4</sup> The Benchmark for the Fund is the S&P/ASX Small Ordinaries Accumulation Index.

Fund Features
<b>Concentrated:</b> A best-ideas portfolio of small company opportunities. Typically 30-40 stocks, diversified across industry sectors and actively risk managed.
<b>Nursery for future leaders:</b> We focus on identifying small companies with potential to strongly compound up growth over the medium term regardless of economic cycles. We prefer companies that have enduring quality-based franchise factors.
<b>Experienced and aligned:</b> The investment team has more than 60 years of combined industry experience. We have materially invested in the Fund alongside our clients and also own a majority of equity in Eiger Capital.
<b>Disciplined and proven process:</b> We take a longer term view than the market, intrinsically valuing small companies using our proprietary 6 year cashflow-based valuation model. We then apply our "9 Commandments" qualitative investment rules, distilled from our 60 years of industry experience. This proven investment process has delivered our clients strong long term investment returns through varying phases of equity markets.

### Top 3 active positions (alphabetical)

NEXTDC  
Steadfast Group  
Technology One

### Stock attribution (alphabetical)

#### Top 3

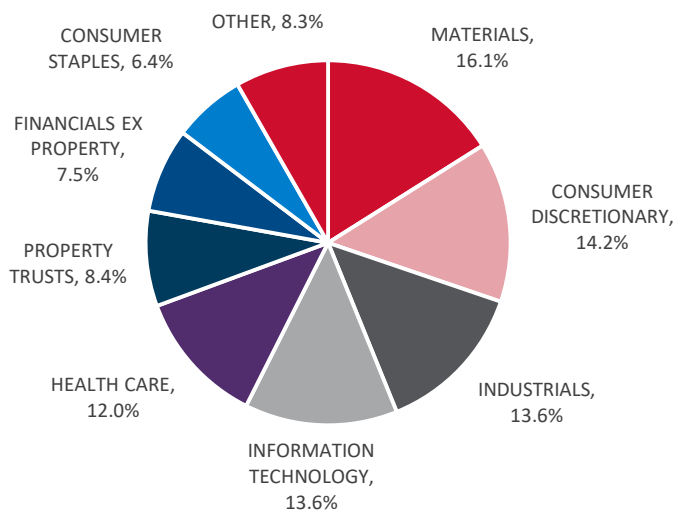
City Chic Collective  
Ingenia Communities Group  
iSignthis

#### Bottom 3

Mineral Resources  
Pilbara Minerals  
oOh!media

Asset allocation	Actual %	Range %
Security	95.68	90-100
Cash	4.32	0-10

## Sector exposure



## Fund Highlights

The S&P/ASX XSO Accumulation index returned -3.85% for the month. The fund outperformed by +0.52% and delivered a -3.33% absolute return.

## Contributors

### City Chic Collective (CCX)

Maiden annual result as a separate brand showed significant growth, particularly in online sales.

### Ingenia Communities (INA)

Better than expected FY19 result. Housing model gaining increasing validity.

### iSignthis (ISX)

Very strong first half of financial year 2019 (1H19) result. Strong new business pipeline including tier 1 relationship with Visa in Australia announced.

## Detractors

### Mineral Resources (MIN)

Continued weakness in spot lithium price plus minor delays in commissioning of Wodgina.

### oOh!Media (OML)

1H FY19 result in line with market expectations, however the Company highlighted a weak outlook for the 3<sup>rd</sup> quarter.

### Pilbara Minerals (PLS)

Continued weakness in spot lithium price combined with lower than expected recovery rates which is being addressed.

## Market Overview

The S&P/ASX Small Ordinaries Index (XSO) decreased by 3.85% during August 2019. The Small Industrials decreased by 3.0%, while the Small Resources decreased by 7.0%. XSO finished the month on a forecast Price-to-Earnings (P/E) ratio of 17.1x which is 11% above its 5 year average. This valuation is 4% higher than the equivalent ratio for the S&P/ASX 200 Index.

The best performing sectors were largely defensive: Infrastructure & Utilities, (+16.3%), Automotive (+5.9%), Real Estate Management & Developers (4.9%), REIT's (+4.9%) and Healthcare (+4.2%). The worst performing sectors during August were Metals & Mining - Steel (-20.0%), Biotech (-13.2%), Metals & Mining - Other (-12.0%) and IT Services (-11.4%).

The best performing stocks within the XSO Index were BWX (BWX, +50%), ERM Power (ERM, +34%), Dacian Gold (DCN, +34%) and Ramelius (RMS, +27%). BWX rebounded on its financial year 2019 (FY19) results after falling 74% during the last 18 months. ERM Power received a takeover offer from Royal Dutch Shell.

The worst performing stocks in the XSO index were Speedcast (SDA, -59%), Amaysim (AYS, -38%) and Liquefied Natural Gas (LNG, -33%). SDA reported earnings that disappointed even relative to expectations that were lowered in July. Amaysim reported earnings that delivered weak cash conversion.

## Market Outlook

JP Morgan estimate that of the 135 industrial companies in the ASX Small Ordinaries who reported in July/August, 21 have seen an upward revision in earnings while 66 have seen downward revisions. The index weighted earnings per share (EPS) consensus revisions were -3.8%. Reporting season saw retailers generally exceed expectations (e.g. City Chic, Adairs & Baby Bunting) while some highly valued stocks disappointed and fell (e.g. Nearmap, Appen, Breville). We believe this will set the tone for the period between now and Annual General Meeting updates typically in November. Highly valued stocks, after a stumble, have less margin for error going forward.

The key global macro drivers facing Australian and NZ small companies continue to be the impact of the ongoing trade dispute between The US and China and the significant bond market rally. It is unclear at this stage whether these macro factors will result in a significant Chinese fiscal stimulus package that will be positive for resources or a significant slow down that will be negative. We believe the cut in US cash rate will have little additional impact on this environment.

Resources and their related mining services suppliers are also dependent on the US\$/A\$ exchange rate. The A\$ has now around US0.67c, which is the bottom end of its recent trading range. If this rate continues to decline this will provide mining companies generating positive cashflow with a significant buffer from reduced commodity prices. The gold price in particular has been very strong and is at record levels in A\$.

## For further information, please contact:

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Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Eiger Capital Pty Ltd ABN 72 631 838 607 AFSL 516751 (**Eiger**), the investment manager of the Eiger Australian Small Companies Fund ARSN 631 961 398 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (**Fidante Partners**) is the responsible entity and issuer of interests in the Fund. The information in this publication should be regarded as general information and not financial product advice, and has been prepared without taking into account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain and consider the Product Disclosure Statement (**PDS**) and any additional information booklet (**AIB**) for the Fund before deciding whether to acquire or continue to hold an interest in the Fund. A copy of the PDS and any AIB can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website [www.fidante.com.au](http://www.fidante.com.au). Please also refer to the Financial Services Guide on the Fidante Partners website. Past performance is not a reliable indicator of future performance. Neither your investment nor any particular rate of return is guaranteed. The information contained in this document is not intended to be relied upon as a forecast and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy, nor is it investment advice. If you acquire or hold the product, we, Fidante Partners or a related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the Fund. Neither Fidante Partners nor a Fidante Partners related company and its respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. Eiger, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.