Eiger Australian Small Companies Fund
ARSN 631 961 398 APIR HOW2967AU

Monthly Fact Sheet July 2019

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

Performance[1]	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since Inception %[2]
Eiger Australian Small Companies Fund	5.20	8.90	-	-	-	-	12.54
S&P/ASX Small Ordinaries Accumulation Index	4.51	4.15	-	-	-	-	9.53
Active return	0.69	4.75	-	-	-	-	3.01

[1] **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.**
[2] 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[3] - as at 31 July 2019.

Performance	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since Inception % p.a.[3]
Investment strategy	5.20	8.90	9.52	8.62	13.39	14.19	9.78
S&P/ASX Small Ordinaries Accumulation Index	4.51	4.15	7.61	9.27	9.18	8.29	3.66
Active return	0.69	4.75	1.91	-0.65	4.21	5.90	6.12

[3] 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.

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[4]
Buy/sell spread	+0.40% / -0.40%
Fund size	$5.4M
Distribution frequency	Quarterly

[4] The Benchmark for the Fund is the S&P/ASX Small Ordinaries Accumulation Index.

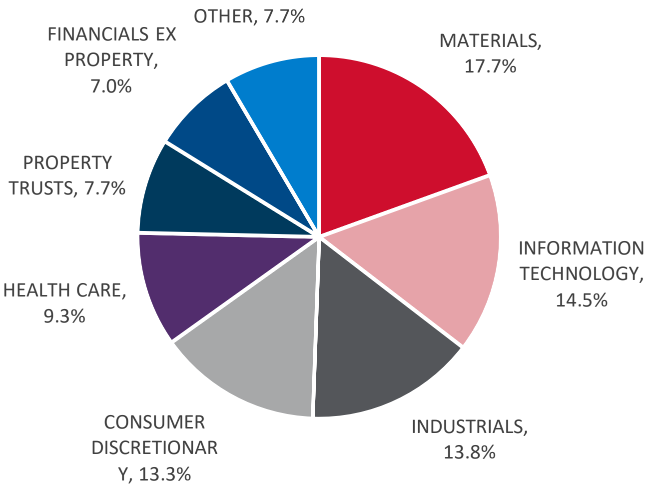
Fund Features
Concentrated: A best-ideas portfolio of small company opportunities. Typically 30-40 stocks, diversified across industry sectors and actively risk managed.
Nursery for future leaders: We focus on identifying small companies with potential to strongly compound up growth over the medium term regardless of economic cycles. We prefer companies that have enduring quality-based franchise factors.
Experienced and aligned: 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.
Disciplined and proven process: 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)
Bingo Industries
Lifestyle Communities
NEXTDC

Stock attribution (alphabetical)
Top 3
Bapcor
Credible Labs
St Barbara
Bottom 3
Auckland International Airport
Pilbara Minerals
Technology One

Asset allocation	Actual %	Range %
Security	91.02	90-100
Cash	8.98	0-10

Sector exposure



Fund Highlights

The S&P/ASX XSO Accumulation index returned 4.51% for the month. The fund outperformed by +0.69% and delivered a +5.20% absolute return.

Contributors

Bapcor (BAP)

No stock specific news. Recovery from weakness in May/June.

Credible Labs (CRD)

No stock specific news. Strength of FinTech generally.

St. Barbara (SBM)

Increase in gold price. Finalised takeover of Atlantic Gold

Detractors

Auckland Airport (AIA)

Reduction in broker recommendations. Very strong in prior month.

Pilbara (PLS)

Weakness in customer demand.

Technology One (TNE)

Very strong in prior month.

Market Overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 4.51% during July 2019. The Small Industrials increased by 3.7%, while the Small Resources increased by 7.9%. XSO finished the month on a forecast price-to-earnings (P/E) ratio of 17.0x which is 11% above its 5 year average. This valuation is 5% higher than the equivalent ratio for the S&P/ASX 200 Index.

The best performing sectors were Chemicals (+19%), Metals & Mining – Precious (+17%), IT Services (10%), Metals & Mining - Base (+9%) and Automotive (+8%). The worst performing sectors during July were Metals & Mining - Steel (-11%), Energy (-4%), Telecoms (-4%) and Infrastructure (-2%).

The best performing stocks within the XSO Index were Karoon (KAR, +74%), Dacian (DCN, +58%), Gold Road (GOR, +39%) and Ramelius (RMS, +39%). KAR successfully purchased an asset in Brazil. DCN, GOR and RMS were higher on the back of a strong gold price.

The worst performing stocks were Speedcast (SDA, -46%), Superloop (SLC, -36%) and Sundance (SEA, -33%). SDA had an earnings warning which compounded concerns about the level of debt. SLC declined as a potential takeover was withdrawn. SEA sold an asset with negative market impact.

Market Outlook

We believe the key immediate issue facing the small cap environment is the imminent 2019 financial year (FY19) reporting season. Valuations are high as witnessed by the 17x prospective P/E ratio for the index, which is 11% above the 5 year average. The higher valued tech names in particular probably have to deliver strong results leading to upgrades to FY20 earnings to sustain their current share prices.

The key global macro drivers facing Australian and New Zealand 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 the 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 been trading close to US0.68c, which is the bottom end of its trading range. If this rate continues to decline this will provide mining companies generating positive cashflow with a significant buffer from reduced commodity prices.

Insider Selling

We call our qualitative investment screen our 9 Commandments. They are as follows:

1. Only invest in businesses we understand
2. Good businesses usually struggle in poor industries
3. Non-consensus sources provide better insights
4. Changes in market structure can deliver enduring excess returns
5. Business models must be (holistically) sustainable
6. Management quality and honesty are as important as the numbers
7. Watch what insiders are doing, especially when they sell
8. Don't diversify for diversity's sake
9. Rarely buy from private equity vendors

We added Commandment No. 7 this year to codify observations on significant insider selldowns during 2016, 2017 and 2018.

On 24 October 2016 Sirtex Medical (SRX) reaffirmed guidance at their annual general meeting (AGM) of "double digit sales growth will continue in FY17…". On 27 October the Managing Director sold just under 75,000 shares worth around $2.1m representing approximately 30% of his SRX holding. On 9 December the company announced that first half financial year 2017 dose sales were expected to be in the range of 4%-6%. The share price fell around 40%. We would like to stress at this point that this sale was definitely in the typical window for insider selling which we believe should be immediately after the interim or final result or post the AGM. What was unusual about this sale was the high proportion of total stock held.

On 30 November 2017 the Managing Director of RCR Tomlinson sold 2.3m shares at $4.40 each for a total sales of $10.1m. This represented around 35% of his total holding. The sale was also shortly after the AGM, and so was in an appropriate window from a disclosure and governance point of view. However the proportion of total holding was also high. On July 30 2018, RCR was suspended from official quotation and ultimately announced a $16m loss for the 2018 financial year. Post a financial raising in August 2018 the company was again suspended from official quotation in November 2018. It is now in receivership.

On 5 June 2018 the Australian Financial Review reported that the CEO and CFO of Kogan were looking for a bid from multiple brokers to sell around A$100m of stock representing around 10% of the company. The company clarified that day that the CEO and CFO did not receive an acceptable bid and are not in current discussions to sell any shares. On 13 June the CEO and CFO sold around $41m worth of shares at around $7.00 each. In the case of the CEO this represented less than 7% of his total holding. What was unusual about this sale was the timing not the quantum. June 13 is very close to the June 30 balance date and well after the prior release of accounts which occurred on 22 February. The CEO also sold $50m of shares on 27 February which we consider to be best practice unlike the subsequent sale.

Insider selling does not always indicate the increased likelihood of weak results and/or a weak share price, as seen in the case of a2 Milk. Between 2015 and 2019 the (now former) CEO of a2 Milk sold around 9.5m shares representing around 85% of his total original holding. During this period the share price of a2 Milk went from A$1.50 to A$14.00. Our analysis of the insider filings for a2 Milk suggest there have been no sales close to a balance by insiders date since a sale on 31 December 2016 by the Managing Director.

While we have always monitored the buying and selling of shares by insiders as part of our qualitative Commandments review process we have increased our focus on this discipline. We are now more attuned to the sale and purchase by insiders of either large portions of their holding and where the timing of sales is outside what we consider to be best practice. We believe that insider selling should only take place in prescribed windows post the release on interim and final results and post the AGM.

For further information, please contact:

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