

# Eiger Australian Small Companies Fund

## APIR HOW2967AU

### Monthly Fact Sheet May 2019

#### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 May 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	1.83	-	-	-	-	-	5.23
S&P/ASX Small Ordinaries Accumulation Index	-1.25	-	-	-	-	-	3.85
Active return	3.08	-	-	-	-	-	1.38

<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.

<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 May 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	1.83	5.78	1.93	9.62	12.46	13.23	9.29
S&P/ASX Small Ordinaries Accumulation Index <sup>4</sup>	-1.25	2.69	2.06	9.84	8.82	6.69	3.13
Active return	3.08	3.10	-0.13	-0.22	3.64	6.54	6.16

<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 until 31 May 2019. 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

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

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	\$4.2M
Distribution frequency	Quarterly

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 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)

Collins Foods  
NEXTDC  
Lynas

### Stock attribution (alphabetical)

#### Top 3

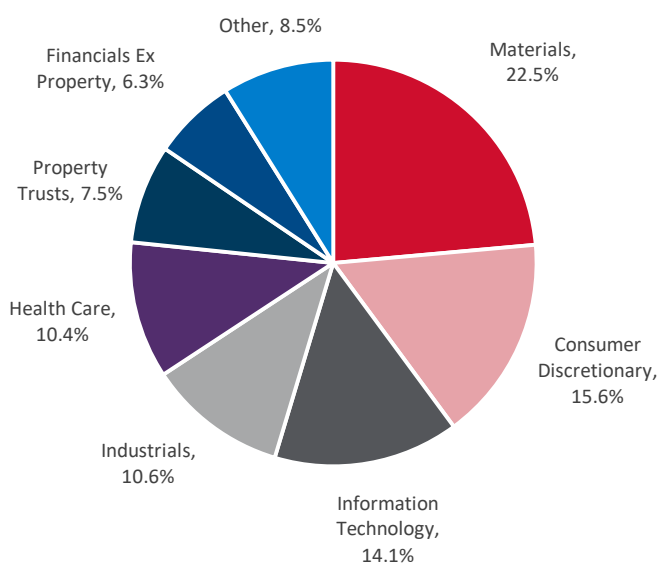
Credible Labs  
Kidman Resources  
Lynas

#### Bottom 3

Beach Energy  
St Barbara  
Technology One

Asset allocation	Actual %	Range %
Security	95.39	90-100
Cash	4.61	0-10

## Sector exposure



## Fund Highlights

The S&P/ASX Small Ordinaries Accumulation Index returned -1.25% for the month of May. The Fund outperformed its benchmark by +3.08% and delivered a +1.83% absolute return.

### Contributors

#### Credible Labs (CRD)

Increased confidence in the rollout of the mortgage platform following a strong March quarterly update.

#### Kidman (KDR)

Received a cash takeover offer from Wesfarmers. Recommended by Directors in lieu of a higher bid.

#### Lynas (LYC)

Continued to make progress towards solving its low level radioactive waste disposal issue in Malaysia. Announced new investment in Australia and the USA. A beneficiary of higher Rare Earth mineral prices that may eventuate from the China-US trade dispute

### Detractors

#### Beach Energy (BPT)

Impacted by lower oil prices which had lifted significantly earlier in the year.

#### St. Barbara (SBM)

Impacted by share issue to fund the acquisition of Atlantic Gold in Canada. The company subsequently downgraded annual production guidance by 4%.

#### Technology One (TNE)

Slightly weaker than expected 1H19 interim result exacerbated by the change to IFRS 15 revenue recognition standards.

## Market Overview

The S&P/ASX Small Ordinaries Index (XSO) declined by 1.25% during May 2019. The Small Industrials declined by 1.32%, while the Small Resources declined by a lesser 0.95%. XSO finished the month on a forecast price-to-earnings (PE) ratio of 15.8x which is 4% above its 5 year average. This valuation is also at a 3% premium to the PE ratio for the ASX200.

The best performing sectors during May were Metals & Mining – Other (+21%), Biotech (17%), Infrastructure and Utilities (+8%) and Automotive (+7%). The worst performing sectors were Chemicals (-22%), Agricultural Products (-14%), Energy (-9%) and Internet Services (-8%).

The best performing stocks within the XSO Index were Lynas (LYC, +54%), Kidman (KDR, +45%), Clinuvel (CUV, +44%) and EML Payments (EML, +34%). LYC increased as the company continued to make progress in solving its Malaysian low level radio-active waste disposal issue. The company will build upstream processing in Australia and significantly increase production as part of this process. LYC also announced the formation of a joint venture to establish more downstream processing in Texas. KDR received a takeover bid from Wesfarmers. The Directors have recommended the deal subject to a higher offer. EML announced the acquisition of Flex-e-Card and a significant contract with Smart Group (SIQ).

The worst performing stocks were Costa (CGC, -30%), LNG (LNG, -30%) and Class (CL1, -24%). CGC reduced earnings guidance after suffering a range of climate related impacts on its produce in Australian and offshore facilities.

## Market Outlook

The key global macro drivers facing Australian and New Zealand small companies continue to be the impact of the ongoing trade dispute between the USA 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. From a domestic perspective the re-election of the Morrison Coalition Government appears to have lifted short term confidence. Whether this lasts in the face of the global trade dispute is also a key issue facing domestic smaller companies.

Resources and their related mining services suppliers are also dependent on the USD/AUD exchange rate. The AUD has now been trading below the US\$70c level since the start of May 2019. If this rate continues to decline this will provide mining companies generating positive cashflow with a significant buffer from reduced commodity prices. The issues facing the Brazilian iron ore sector are also having a material impact on mining activity in Western Australia and the Australian trade and budget position.

The rally in global bonds continued to benefit XSO stocks with more earnings certainty including Real Estate Investment Trusts and infrastructure. In addition, high valued tech names benefited as the discount rate applied to their longer dated earnings declined.

## For further information, please contact:

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