Eiger Australian Small Companies Fund
ARSN 631 961 398 APIR HOW2967AU

Quarterly Report September 2019

Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 30 September 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	2.68	4.42	-	-	-	-	11.71
S&P/ASX Small Ordinaries Accumulation Index	2.61	3.11	-	-	-	-	8.06
Active return	0.07	1.31	-	-	-	-	3.65

[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. Source: Fidante Partners Limited, 31 August 2019.**

[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 30 September 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	2.68	4.42	5.70	8.68	13.71	13.04	9.48
S&P/ASX Small Ordinaries Accumulation Index	2.61	3.11	3.95	8.81	9.61	6.98	3.43
Active return	0.07	1.31	1.76	-0.13	4.10	6.06	6.06

[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. **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[4]
Buy/sell spread	+0.40% / -0.40%
Fund size	$5.5M
Distribution frequency	Quarterly

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

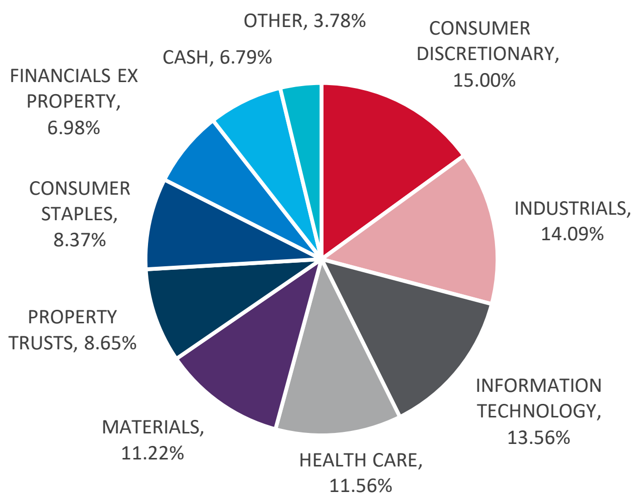
Fund Features
Concentrated: A best-ideas portfolio of small company opportunities. Typically 30-40 stocks, diversified across industry sectors and actively risk managed.
Nursery for future leaders: We focus on identifying small companies with potential to strongly compound up growth over the medium term 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)
Ingenia Communities Group
Lifestyle Communities Ltd
NEXTDC Ltd

Stock attribution (alphabetical)
Top contributors (quarter)
Bapcor Ltd
City Chic Collective Ltd
Ingenia Communities Group
Top detractors (quarter)
oOh!media Ltd
Pilbara Minerals Ltd
Technology One Limited

Asset allocation	Actual %	Range %
Security	93.21	90-100
Cash	6.79	0-10

Sector exposure



Fund Highlights

The S&P/ASX XSO Accumulation index returned 3.11% for the quarter. The fund outperformed by +1.31% and delivered a +4.42% absolute return.

Contributors

Bapcor (BAP)

Better than expected finance year 2019 (FY19) result and outlook statement. In addition to a pickup in car repair the Company flagged possible parts price rises and further investment in workshops and workshop fit out supplies.

City Chic Collective (CCX)

Maiden annual result as a separate brand showed significant growth, particularly in online sales. The company is also bidding to buy the assets of a plus size retailer in the US.

Ingenia Communities (INA)

Better than expected FY19 result and outlook statement. Beneficiary of ongoing cuts in interest rates and any sign of pickup in house prices.

Detractors

oOh!media (OML)

Earnings downgrade on expectation of a weak September quarter.

Pilbara (PLS)

Ongoing short term weakness in lithium prices and the impact of a capital raising.

Technology One (TNE)

Weakness in technology valuations globally. Non stock specific news.

Market Overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 3.11% during the September 2019 quarter. The Small Industrials increased by 3.88%, while the Small Resources increased by 0.29%. XSO finished the quarter on a forecast price-to-earnings ratio of 16.7x which is 8% above its 5 year average. This valuation is in line with the equivalent ratio for the ASX200.

The best performing sectors were: IT Services, (+43.4%), Biotechnology (+34.3%), Financial Services (30.3%), Real Estate Management (+29.8%) and Infrastructure (+29.6%). The worst performing sectors during the September quarter were Metals & Mining - Other (-37.7%), Metals & Mining - Steel (-37.1%), Chemicals (-34.7%) and Agricultural Products (-21.2%).

The best performing stocks within the XSO Index were Dacian Gold (DCN, +160%), BWX (BWX, +114%), Baby Bunting (BBN, +67%) and ioneer (INR, +14%). Dacian responded to the sharp increase in the gold price during the quarter. BWX reported a stronger than expected result and outlook statement particularly for sales in the US.

The worst performing stocks in the XSO index during the quarter were Speedcast (SDA, -65%), amaysim (AYS – 60%), New Century (NCZ -45%), Syrah (SYR, -43%). Speedcast had 2 earnings downgrades during the quarter and a reduced credit rating due to high debt levels. Amaysim continues the trend of recent months which have been difficult for the stock. The FY19 result was below expectations and a Director resigned.

Market Outlook

The post financial year 2019 result report period has seen a significant reversion in performance of 6 larger XSO index stocks that had rerated upward following the release of interim results in February 2019. Corporate Travel, Appen, Viva Energy, IDP Education, Breville and NIB fell by between 7.6% and 27% in August 2019 after having risen by between 11% and 49% in February 2019. It would appear the increased volume of near-passive management in the small cap space is exacerbating the volatility of share price reactions to earnings releases with the increased prospect of over reaction and subsequent retracement. We believe this will be an ongoing feature of the small cap space and that this volatility will also be exacerbated by reduced sell side small cap research coverage.

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.

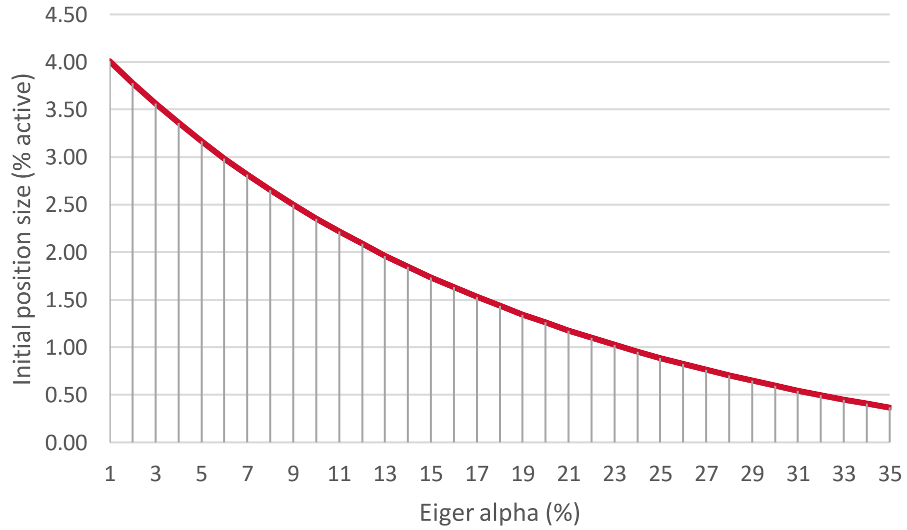
Resources and their related mining services suppliers are also dependent on the US$/A$ exchange rate. The A$ is now around US0.67c, which is the bottom end of its recent trading range. If this rate continues to decline this will provide mining companies generating positive cashflow with a significant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

Small cap investing – initial position sizing

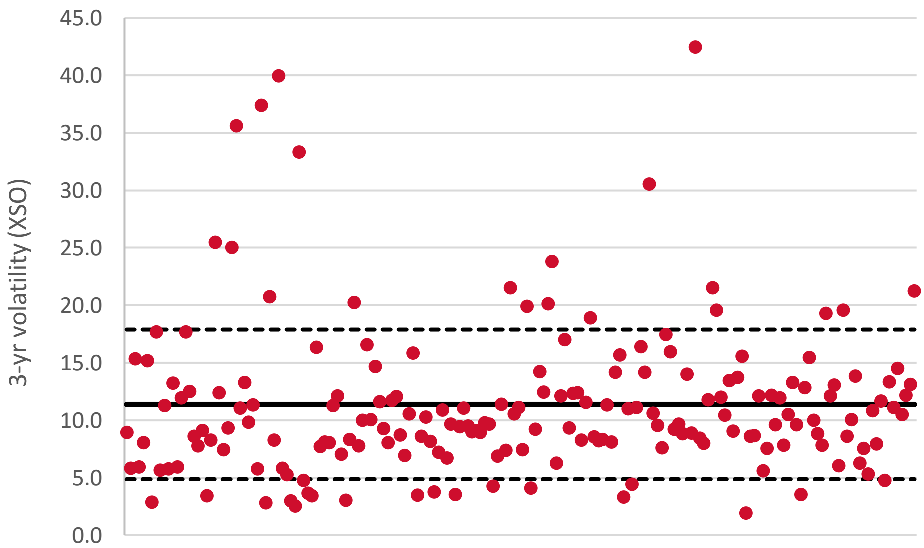
One of the advantages of small cap investing is the size of the investible universe and the opportunity set it offers. There are approximately 500 ASX-listed companies between market capitalisations of $100m and $2.5bn. That number increases to ~700 if the lower bound is dropped to $50m and almost 1000 companies between $25m and $2.5bn market capitalisation.

So, a lack of choice is not generally a problem small cap managers face. At Eiger, we combine quantitative and qualitative processes to significantly narrow the field and indeed, have found many interesting opportunities that we ultimately invest in. The basis of our quantitative process is cashflow-based model that has served us well for a decade-and-a-half. It generates an alpha-score, a valuation that essentially represents the compounding five-year return of an investment.

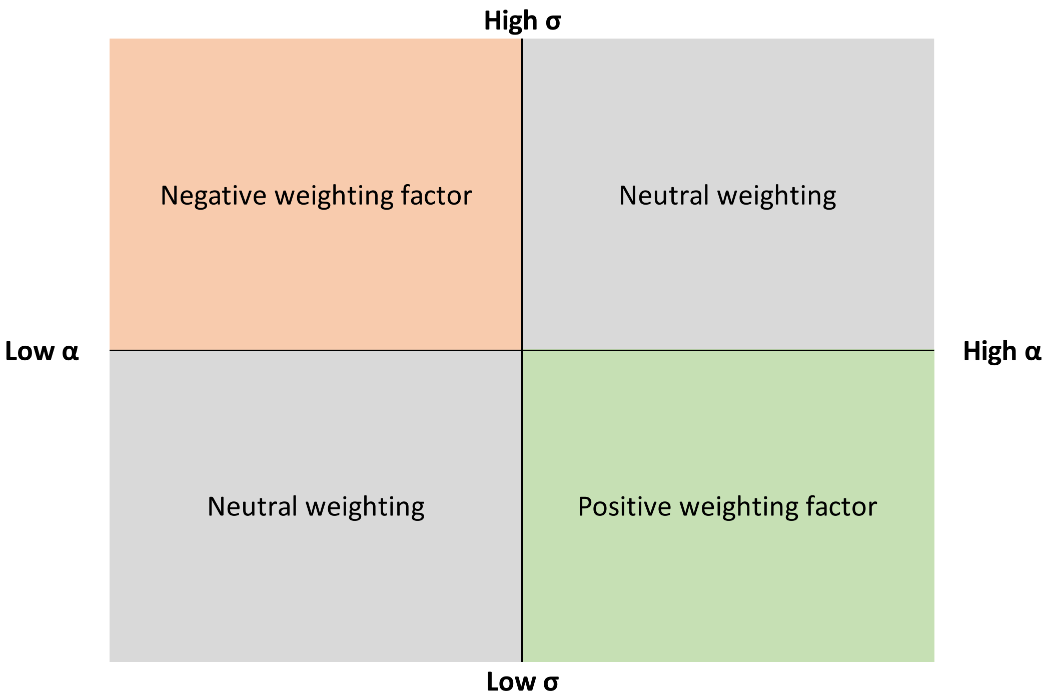
Finding appropriate investment opportunities is only part of the challenge. Another that we face is sizing our initial position in company given less familiarity with new investments. Market experience plays a strong role in determining a sensible approach but we like to enhance this view with a quantitative aspect as shown in the chart below. In essence, it schematically represents the expected risk/return profile for a new company. For example, the model suggests a company with an exceptionally high alpha of say 30%, should enter the portfolio with an initial weight of 50bps. This is a small exposure that limits the risk on the downside, but if our analysis is correct, allows the position to grow quickly (and perhaps be added too), without generating unnecessary trading costs. The high alpha score often results because a company is not well known or understood by the market and hence a degree of caution is prudent.



It is important to stress that our model acts as a guide and is not prescriptive. This is because there are other factors to consider such as the business model, barriers to entry and quality of management. Another important feature of small cap investing, and for which is sometimes criticised, is the volatility of the universe, which is often driven by liquidity constraints. The following chart is a representation of the three-year volatility of the Small Ordinaries Index (XSO, 200 stocks) with the mean and one standard deviation added. Approximately 80% of the index lies within one standard deviation of the mean but there are significant outliers.



We can therefore overlay a volatility factor as a check on the appropriateness of our sizing model. As the chart below indicates, a company that has both high alpha and low volatility should perhaps deserve a higher initial weighting in the portfolio than the model alone would suggest, whereas a highly volatile, low-alpha opportunity would likely be smaller (if included at all) to account for heightened risk relative to the perceived return. We would intuitively think this way but it is helpful to have a quantitative measure as a 'sanity check'. For while we seek to outperform the XSO, we wish to do so in a manner that is cognisant of the value of our clients' capital.



For further information, please contact:

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