

# Eiger Australian Small Companies Fund

## ARSN 631 961 398 APIR HOW2967AU

### Monthly Fact Sheet February 2020

#### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 29 Feb 2020

Performance <sup>1</sup>	1 month %	3 months %	1 year %	3 years % p.a	5 years % p.a	7 years % p.a	Inception % p.a <sup>2</sup>
Eiger Australian Small Companies Fund	-6.11	-5.14	-	-	-	-	8.68
S&P/ASX Small Ordinaries Accumulation Index	-8.68	-5.87	-	-	-	-	2.79
Active return	2.57	0.73	-	-	-	-	5.89

<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 performance of the Fund. **Source: Fidante Partners Limited, 29 Feb 2020.**

<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 29 Feb 2020

Performance	1 month %	3 months %	1 year %	3 years % p.a	5 years % p.a	7 years % p.a	Inception % p.a <sup>3</sup>
Investment strategy	-6.11	-5.14	9.24	11.02	10.45	11.56	8.69
S&P/ASX Small Ordinaries Accumulation Index	-8.68	-5.87	1.64	8.32	7.43	5.16	2.69
Active return	2.57	0.73	7.61	2.70	3.02	6.40	6.00

<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, 29 Feb 2020.**

#### Fund facts

<b>Portfolio managers</b>	Stephen Wood, Victor Gomes, David Haddad
<b>Fund inception date</b>	26 March 2019
<b>Investment objective</b>	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling five year periods (after fees).
<b>Management fee</b>	1.00%
<b>Performance fee</b>	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>
<b>Buy/sell spread</b>	+0.40% / -0.40%
<b>Fund size</b>	\$5.4M
<b>Distribution frequency</b>	Quarterly

<sup>4</sup>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 Ltd  
 Ingenia Communities Group  
 NEXTDC Ltd

### Stock attribution (alphabetical)

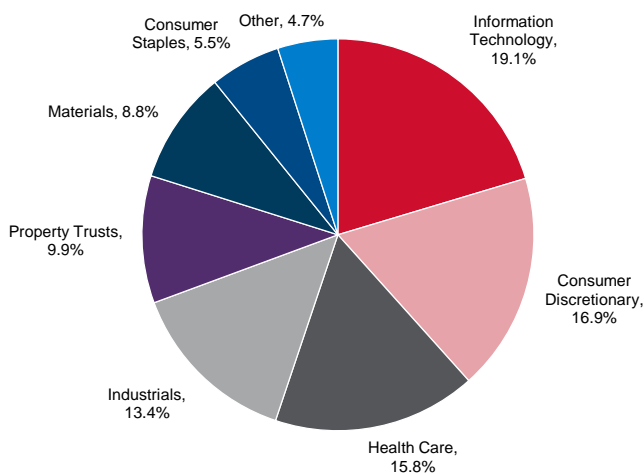
#### Top contributors (month)

Capitol Health Ltd  
 Ingenia Communities Group  
 NEXTDC Ltd

#### Top detractors (month)

Altium Limited  
 Bubs Australia Ltd  
 IDP Education Ltd

Asset allocation	Actual %	Range %
Security	94.03	90-100%
Cash	5.97	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -8.68% for the month. The fund outperformed the market and delivered a -6.11% return over the month.

## Contributors

### Capitol Health Ltd (CAJ)

Positive result and impact of acquisitions of new centres in January

### Ingenia Communities Group (INA)

Strong result following earlier concerns on bushfire impact

### NEXTDC Ltd (NXT)

Strong result and new M2 contracts.

## Detractors

### Altium Limited (ALU)

Result outlook statement, although strong, did not meet consensus expectations.

### Bubs Australia Ltd (BUB)

Inventory build in first half negatively surprised market.

### IDP Education Ltd (IEL)

Strong result and muted impact from travel restrictions

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) decreased by 8.68% during February 2020. The Small Industrials decreased by 8.44%, while the Small Resources decreased by 9.69%. XSO finished the month on a forecast price-to-earnings (P/E) ratio of 19.5x which is 24% above its 5 year average. This valuation is 15% higher than the equivalent ratio for the ASX200.

The best performing sectors were: Banks, (+10.1%), Telecoms (-0.4%), REIT's (-1.8%), Healthcare (-3.7%) and Automotive (-4.9%). The worst performing sectors during February were Biotech (-28.0%), Energy (-23.6%), Steel (-20.9%) and Internet Services (-18.4%).

The best performing stocks within the XSO Index were Bellevue Gold (BGL, +25%), IDP Education (IEL, +20%), West African Resources (WAF, +17%) and Money3 (MNY, +14%). Bellevue Gold reported strong drilling results. IDP Education reported a better than expected result with a more limited impact from Covid-19 travel restrictions than was expected.

The worst performing stocks in the XSO index were New Century Resources (NCZ, -48%), FAR (FAR, -46%) and Ama Group (AMA, -43%). FAR lost an arbitration hearing against Woodside regarding their joint operations in Senegal. Ama reported a set of results that did not meet expectations set out when they purchased the Capital Smart assets from Suncorp.

## Market outlook

The key global macro driver facing Australian and NZ small companies has switched from the trade dispute between The US and China to the impact of coronavirus which has spread virtually everywhere. The market is now trading with significantly increased volatility as it oscillates between the positive of Worldwide Government stimulus announcements and the negative prospect of significant cuts to economic activity.

It is very unclear at this point which sectors of the economy will be impacted more than others. We know with some certainty that travel and travel related stocks will ultimately reveal significant earnings declines as conferences, sporting events and holidays get cancelled the World over. We believe that some sectors such as healthcare, data centres and food supply will prove to be more defensive subject to valuation.

We have no crystal ball when it comes to predicting how long this crisis will last nor where the economic bottom will be. However, we were managing small cap portfolios during the GFC in 2008/2009. The most important factor, in our opinion, is to recognise that the access to finance (debt and equity) may shut or become very expensive for all but the best small caps who ironically don't need it. We are very mindful of this lesson in positioning our current portfolio.

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