

# Eiger Australian Small Companies Fund

## ARSN 631 961 398 APIR HOW2967AU

### Monthly Fact Sheet July 2020

#### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 Jul 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	5.60	14.35	0.87	-	-	-	9.85
S&P/ASX Small Ordinaries Accumulation Index	1.39	9.94	-8.49	-	-	-	0.17
Active return	4.20	4.41	9.36	-	-	-	9.68

<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, 31 Jul 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 31 Jul 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	5.60	14.35	0.87	11.51	11.33	12.35	8.79
S&P/ASX Small Ordinaries Accumulation Index	1.39	9.94	-8.49	6.47	7.86	6.30	2.29
Active return	4.20	4.41	9.36	5.04	3.47	6.04	6.50

<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 Jul 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>	\$5.9M
<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)

Adairs Ltd  
Collins Foods Ltd  
NEXTDC Ltd

### Stock attribution (alphabetical)

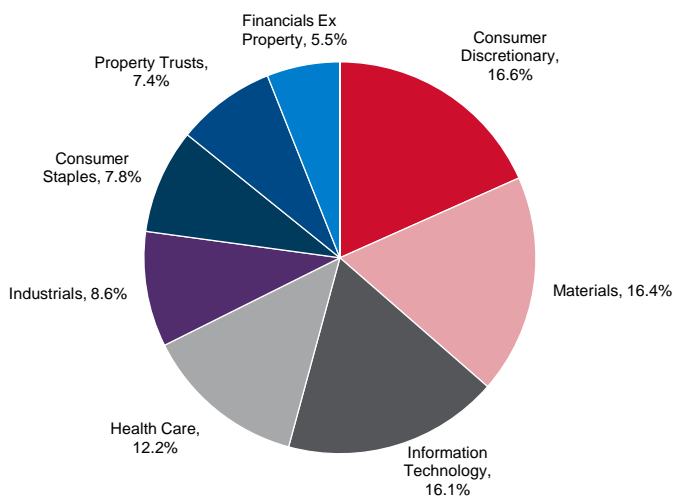
#### Top contributors (month)

Life360 Inc  
Marley Spoon AG  
NEXTDC Ltd

#### Top detractors (month)

Capitol Health Ltd  
Lifestyle Communities Ltd  
Mineral Resources Ltd

Asset allocation	Actual %	Range %
Security	90.68	90-100%
Cash	9.32	0-10%



### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.39% for the month. The fund outperformed the market and delivered a +5.60% return over the month.

### Contributors

#### Life360 Inc (360)

Launch of new membership offering. Successful sell-down by corporate shareholder.

#### Marley Spoon AG (MMM)

Announced very strong June quarter growth in all regions.

#### NEXTDC Ltd (NXT)

Promotion to ASX 100.

### Detractors

#### Capitol Health Ltd (CAJ)

Very strong in June. Some concern about impact of COVID outbreak in Victoria.

#### Lifestyle Communities Ltd (LIC)

Concern about increased COVID cases in Victoria.

#### Mineral Resources Ltd (MIN)

Not held by the fund. Ongoing strong iron ore price benefits mining and services operation.

### Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 1.39% during July 2020. The Small Industrials decreased by 0.15%, while the Small Resources increased by 7.61%. XSO finished the month on a forecast price to earnings (P/E) ratio of 20.8x which is 30% above its 5 year average and the highest forecast P/E ratio during this period. This valuation is 14% higher than the equivalent ratio for the ASX200.

The best performing sectors were: Metals & Mining - Other, (+23.1%), Metals & Mining - Precious (+10.3%), Automotive (+10.0%), Retail (+8.0%) and Engineering & Mining Services (6.8%). The worst performing sectors during July were Consumer Discretionary (-14.8%), Building & Construction (-8.2%), Healthcare (-5.3%) and Metals & Mining - Base (-4.7%).

The best performing stocks within the XSO Index were HUB24 (HUB, +43%), Galaxy Resources (GXY, +42%), Pilbara Minerals (PLS, +40%) and Netwealth (NWL, +34%). There has been increased interest globally in the lithium sector following the rapid rise in the Tesla (TSLA-US) share price. HUB24 and Netwealth both reported better than expected funds under management (FUM) flows.

The worst performing stocks in the XSO index were AVITA Therapies (AVH, -33%), ADBRI (ABC, -31%) and Phoslock (PET, -13%). AVITA noted the impact of COVID priorities in hospitals impeded sales and product rollout. ADBRI lost a major lime contract with Alcoa Australia. Phoslock highlighted the negative impact of flooding in China on sales in 1H20 revenue.

### Market outlook

The market and economic outlook is dominated by the impact of COVID-19. The economic damage measured in declines in GDP and rises in unemployment is likely to be significant in a historical context. However the depth of this impact and whether the recovery is steep or slow will keep market guessing for the foreseeable future. As at the end of July 2020 the market is not as optimistic as it was at the end of May. The acceleration or re-emergence of COVID cases in many places is a concern. We believe whatever the shape of the downturn and recovery that interest rates will remain low and debt will remain very high. Global market response to news of successful COVID vaccine trials only seem to retrace as medical experts warn that the solution is still some time away.

The ongoing trade dispute between The US and China has become more pronounced during the COVID-19 lockdown period. The US presidential election in November will probably add to these tensions.

Resources and their related mining services suppliers are also dependent on the US\$/A\$ exchange rate. The A\$ is now trading at around US0.71c which has increased from US0.65c in only two months. This increase will reduce export margins. Australia's main competitor for the sale of iron ore, Brazil, seems to be struggling to increase volume at the same rate as Australian production in response to strong prices.

**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 Limited ABN 72 631 838 607 AFSL 516 751 (Eiger Capital), the investment manager of the Eiger Australian Small Companies Fund ARSN 631 961 398 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**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 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 Capital, 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.