

# Eiger Australian Small Companies Fund

ARSN 631 961 398 APIR HOW2967AU



## Monthly Fact Sheet May 2021

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 May 2021

Performance <sup>1</sup>	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a. <sup>2</sup>
Eiger Australian Small Companies Fund	-0.35	4.81	40.85	19.82	-	-	-	20.83
S&P/ASX Small Ordinaries Accumulation Index	0.27	6.09	26.73	10.92	-	-	-	11.89
Active return	-0.62	-1.27	14.12	8.90	-	-	-	8.94

<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 May 2021.**

<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 2021

Performance	1 month %	3 months %	1 year %	2 years % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a. <sup>3</sup>
Investment strategy	-0.35	4.81	40.85	19.82	13.54	13.59	11.69	11.12
S&P/ASX Small Ordinaries Accumulation Index	0.27	6.09	26.73	10.92	7.89	10.27	5.12	4.57
Active return	-0.62	-1.27	14.12	8.90	5.65	3.32	6.57	6.56

<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 May 2021.**

#### 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>	\$70.6M
<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)

AP Eagers Limited  
Lynas Rare Earths Ltd  
Technology One Limited

### Stock attribution (alphabetical)

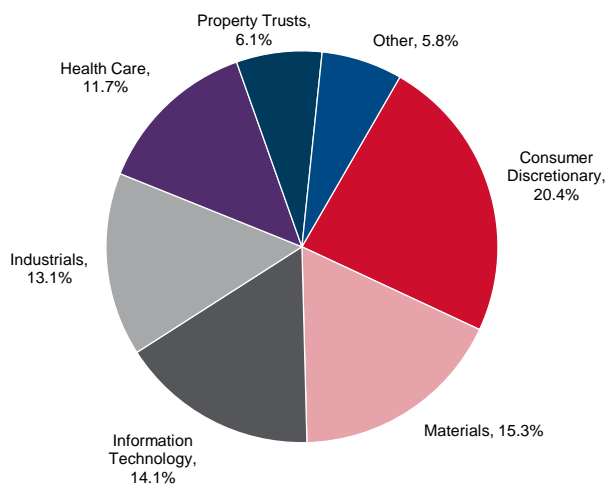
#### Top contributors (month)

ARB Corp Ltd  
Gold Road Resources Ltd  
Pilbara Minerals Ltd

#### Top detractors (month)

EML Payments Limited  
NEXTDC Ltd  
Ryman Healthcare Ltd

Asset allocation	Actual %	Range %
Security	86.52	90-100%
Cash	13.48	0-10%



### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.27% for the month. The fund underperformed the market and delivered a -0.35% return over the month.

### Contributors

#### ARB Corp Ltd (ARB)

Growing confidence on US expansion.

#### Gold Road Resources Ltd (GOR)

Increased gold price.

#### Pilbara Minerals Ltd (PLS)

Continued strength in electric vehicle (EV) battery demand.

### Detractors

#### EML Payments Limited (EML)

Regulatory review by Irish Central Bank.

### NEXTDC Ltd (NXT)

No specific news. Tech sector generally weak.

### Ryman Healthcare Ltd (RYM NZ)

Weaker than expected FY21 result.

### Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by a 0.27% during May 2021. The Small Industrials decreased by 0.63%, while the Small Resources increased by a significant 4.15%. XSO finished the month on a forecast FY22 price to earnings ratio of 18.5x which is 13% above its 5-year average. This valuation is a 1% premium to the ASX200.

The best performing sectors were: Banks, (+13.1%), Metals & Mining - Precious (+10.2%), Energy (+10.1%), Metals & Mining - Base (+8.2%) and Aged Living (+4.8%). The worst performing sectors during May were Agriculture (-10.8%), Engineering & Mining Services (-9.3%), Chemicals (-7.3%) and Healthcare (-3.7%).

The best performing stocks within the XSO Index were Chalice Mining (CHN, +27%), Alkane Resources (ALK, +27%), Resolute Mining (RSG, +26%) and New Hope Corp (NHC, +25%). Chalice and Alkane both had strong exploration drilling results. Resolute (gold) and New Hope (thermal coal) both responded to stronger commodity prices.

The worst performing stocks in the XSO index were EML Payments (EML, -42%), Perenti (PRN, -39%) and Nuix (NXL, -33%). EML Payments announced that the Irish Central Bank was reviewing its AML/KYC procedures. Perenti downgraded its outlook. Nuix confirmed that it would not achieve its already revised prospectus forecasts.

### Market outlook

The market and economic outlook are dominated by the rate of recovery from COVID-19 and vaccine rollout rates. Currently markets are anticipating a recovery in industrial production in 2021/22. In the UK and North America, in particular, vaccination rates are now above 50% for adults. Serious infection rates in those countries now appear to be falling rapidly. However, there is now significant concern about outbreaks in emerging economies, notably India. We believe whatever the shape of the downturn and recovery that interest rates will remain relatively low and debt will remain very high despite recent ructions in the global bond markets.

The ongoing trade dispute between The US and China has become more pronounced during the COVID-19 lockdown period. The election of Joe Biden has made little difference to the trade dispute between The US and China. This dispute continues to spread to adjacent political spheres. Australia is caught up in this dispute with several exports targeted. Despite this commodity prices are rising particularly LNG and thermal coal, key exports for Australia. Iron ore has remained strong throughout the financial year to date.

Resources and their related mining services suppliers are also dependent on the US\$/A\$ exchange rate. The A\$ is currently trading around US\$0.77c. The A\$ has strengthened as optimism on world growth in 2021 has improved. The farming community also looks set to significantly benefit from record crops across Australia following best in a decade growing conditions. Despite the China trade bans there seems to be significant demand for the record Australian wheat crop and barley. The Australian March 2021 quarter current account surplus was \$18bn. This was the eighth quarterly surplus in a row. Prior to this period Australia has not recorded a quarterly current account surplus for 44 years.

**For further information, please contact:**

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