

# Eiger Australian Small Companies Fund

ARSN 631 961 398 APIR HOW2967AU



## Monthly Fact Sheet August 2021

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 Aug 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	6.79	16.05	44.90	26.90	-	-	-	25.96
S&P/ASX Small Ordinaries Accumulation Index	4.98	8.95	29.51	14.94	-	-	-	14.56
Active return	1.81	7.11	15.39	11.96	-	-	-	11.40

<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 Aug 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 Aug 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	6.79	16.05	44.90	26.90	18.29	15.41	14.18	12.43
S&P/ASX Small Ordinaries Accumulation Index	4.98	8.95	29.51	14.94	10.09	10.99	6.72	5.32
Active return	1.81	7.11	15.39	11.96	8.20	4.42	7.46	7.12

<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 Aug 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>	\$133.0M
<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)

Domino's Pizza Enterprises Limited  
Life360 Inc  
Ryman Healthcare Ltd

### Stock attribution (alphabetical)

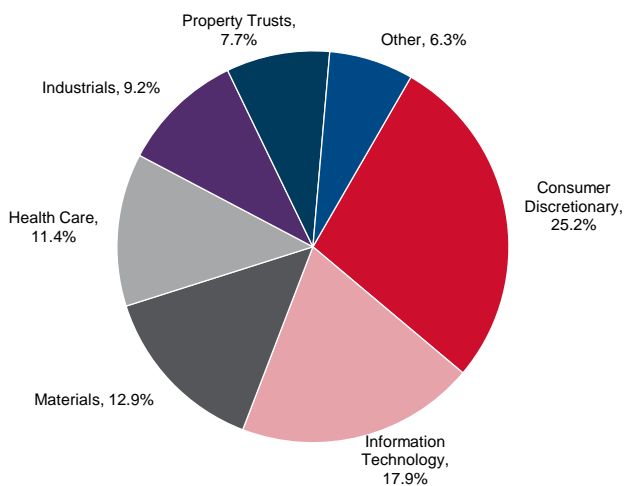
#### Top contributors (month)

Domino's Pizza Enterprises Limited  
Pilbara Minerals Ltd  
Ryman Healthcare Ltd

#### Top detractors (month)

Integral Diagnostics Ltd  
Lynas Rare Earths Ltd  
Reece Ltd

Asset allocation	Actual %	Range %
Security	90.63	90-100%
Cash	9.37	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +4.98% for the month. The fund outperformed the market and delivered a +6.79% return over the month.

## Contributors

### Domino's Pizza Enterprises Limited (DMP)

Strong FY21 result and upgraded store rollout targets.

### Pilbara Minerals Ltd (PLS)

Continued strength in electric vehicle (EV) battery demand and lithium prices.

### Ryman Healthcare Ltd (RYM NZ)

Positive 1Q (June 2021) update.

## Detractors

### Integral Diagnostics Ltd (IDX)

FY21 result impacted by COVID lockdowns.

### Lynas Rare Earths Ltd (LYC)

Very strong in July. FY21 result in line.

### Reece Ltd (REH)

Result highlighted US operations not growing as fast as market expected.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by a 4.98% during August 2021. The Small Industrials increased by 6.10%, while the Small Resources increased by 0.69%. XSO finished the month on a 2yr forecast price to earnings ratio of 19.8x which is 19% above its 5-year average. This valuation is a 11% premium to the ASX200.

The best performing sectors were: Metals & Mining - Other, (+12.1%), Consumer Discretionary & Leisure (+11.5%), Aged Living (+11.4%) and Banks (+10.8%). The worst performing sectors during August were Metals & Mining - Steel (-13.5%), Metals & Mining - Precious (-4.7%), Metals & Mining - Base Metals (-2.8%) and Engineering & Mining Services (-1.7%).

The best performing stocks within the XSO Index were Blackmores (BKL, +37%), Clinuvel (CUV, +36%), Ioneer (INR, +34%) and Redbubble (RBL, +34%). Blackmores' FY21 result and more importantly cost out and medium-term strategy announcements were well received by the market. Clinuvel delivered a record FY21 result. Redbubble delivered a result that appeared to stabilise the earnings fall suffered as mask sales have declined.

The worst performing stocks in the XSO index were Mt Gibson Iron (MGX, -29%), Champion Iron (CIA, -23%) and Accent Group (AX1, -21%). Mt Gibson and Champion Iron both have high leverage to the iron ore price which has fallen from recent peak prices. Accent Group, who retail footwear, delivered a small miss to FY21 profit expectations with high costs the major impact. The trading update for the start of FY22 was also weak due to lockdowns.

## 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 economic activity in 2021/22. Hospitalisation rates from COVID in those countries with high vaccination rates appear to be within expected limits. 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 disputed between The US and China which continues to spread to adjacent political spheres. Australia is caught up in this dispute with many exports targeted. Despite this commodity prices have risen particularly thermal coal while Australian produce has found new homes. The passage of the US infrastructure funding bill is expected to increase demand for new age minerals particularly lithium, copper and rare earth elements.

Resources and their related mining services suppliers are also dependent on the US\$/A\$ exchange rate. The A\$ is currently

trading below US\$0.74c. This is a positive for mining and farming. The A\$ has recently weakened as the impact of lockdowns in NSW and Victoria and its impact on domestic economic growth becomes an increasing concern. Despite the China trade bans there seems to be significant demand for Australian crops. The Australian June 21 quarter current account surplus was a record \$20bn. This was the ninth 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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This material has been prepared by Eiger Capital Limited (ABN 72 631 838 607, AFSL 516751) Eiger, the investment manager of the Eiger Australian Small Companies Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at [www.fidante.com](http://www.fidante.com) should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.