

# Eiger Australian Small Companies Fund



ARSN 631 961 398 APIR HOW2967AU

## Monthly Fact Sheet January 2022

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 Jan 2022

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	-12.10	-9.69	13.67	16.83	-	-	-	17.39
S&P/ASX Small Ordinaries Accumulation Index	-9.00	-7.99	6.65	6.01	-	-	-	8.59
Active return	-3.10	-1.70	7.02	10.82	-	-	-	8.81

<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 Jan 2022.**

<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 Jan 2022

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	-12.10	-9.69	13.67	16.83	18.05	15.08	13.53	10.86
S&P/ASX Small Ordinaries Accumulation Index	-9.00	-7.99	6.65	6.01	10.12	9.64	6.17	4.18
Active return	-3.10	-1.70	7.02	10.82	7.93	5.44	7.36	6.68

<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 Jan 2022.**

#### 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>	\$295.7M
<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  
 Johns Lyng Group Ltd  
 Pilbara Minerals Ltd

### Stock attribution (alphabetical)

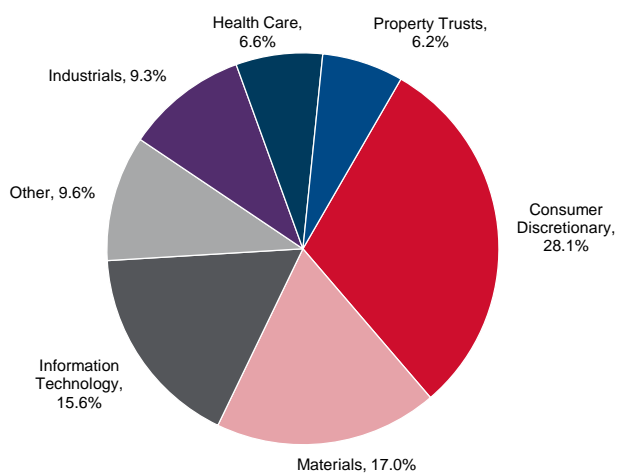
#### Top contributors (month)

Bapcor Ltd  
 Pilbara Minerals Ltd  
 Pro Medicus Limited

#### Top detractors (month)

BrainChip Holdings Ltd  
 Reece Ltd  
 Ryman Healthcare Ltd

Asset allocation	Actual %	Range %
Security	92.37	90-100%
Cash	7.63	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -9.00% for the month. The fund underperformed the market and delivered a -12.10% return over the month.

## Contributors

### Bapcor Ltd (BAP)

Held up in weak market.

### Pilbara Minerals Ltd (PLS)

Strong commodity prices.

### Pro Medicus Limited (PME)

High valuation stock impacted by weak markets. Not held in the Fund.

## Detractors

### BrainChip Holdings Ltd (BRN)

Strong on the back of Mercedes-Benz announcement. Not held by the Fund.

### Reece Ltd (REH)

Very strong in prior month.

### Ryman Healthcare Ltd (RYM NZ)

Concern around NZ Government efforts to limit property prices.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) decreased by a 9.0% during January 2022. The Small Industrials decreased by 9.8%, while the Small Resources decreased by 5.9%. XSO finished the month on a 2yr forecast price to earnings (P/E) ratio of 17.8x which is 5% above its 5-year average. This valuation is a 7% premium to the ASX200.

The best performing sectors were: Metals & Mining - Steel, (+9.1%), Energy (+1.3%), Banks (-2.0%) and Mining Services & Engineering (-4.5%). The worst performing sectors during January were Biotechnology (-17.8%), Healthcare (-16.1%), Aged Living (-14.7%) and Industrial Technology (-14.6%).

The best performing stocks within the XSO Index were BrainChip (BRN, +110%), Champion Iron (CIA, +19%), Beach Energy (BPT, +17%) and Karoon Energy (KRN, +14%). In early January Mercedes-Benz announced that they were going to use BrainChip technology in a concept car. Beach and Karoon were both beneficiaries of higher oil prices. Champion Iron similarly benefitted from higher iron ore prices.

The worst performing stocks in the XSO index were Redbubble (RBL, -46%), Dubber (DUB, -35%) and Nuix (NXL, -33%). Redbubble had a profit downgrade in late December 2021. Dubber, we believe, was impacted by the general tech selloff in world markets. Nuix announce in mid-January that its expectations for 1H22 earnings were significantly below the prior period.

## Market outlook

The market and economic outlook are dominated by the rate of recovery from COVID-19 and its impact on inflation and interest rates. The omicron outbreak has, we believe, the potential to exacerbate the current concerns about inflation by causing even more disruption to the labour market. This is despite evidence so far that its impact on the health system may be lower than previous strains, notably delta. The debate around the trajectory of inflation post COVID has shifted from the near certainty that it was a temporary concern to the prospect that it will remain elevated for a longer period. The latest notes from the US Federal Reserve confirm that they now believe inflation is here to stay for a while. Central banks appear to be increasingly concerned about inflation rather than growth. We believe whatever the shape of the downturn and recovery that interest rates overall will remain lower than in prior cycles as debt will remain very high.

The cost of hard and soft commodities and particularly energy has risen over the last 12 months. Energy costs could potentially feed into widespread price rises if they persist. In addition, the ability of China to supply the world with a just-in-time supply or a huge range of consumer goods has at least temporarily declined. Shipping costs have skyrocketed. Booming real estate prices in most developed economies is beginning to cause reflection among key Central banks.

Resources and soft commodities are also dependent on the US\$/A\$ exchange rate. The A\$ is currently trading around US\$0.71c and has been weak of late.

We continue to believe that low interest rates will remain positive for equity valuations however there is increased risk that inflation will materially surprise on the upside.

**For further information, please contact:**

**Fidante Partners Investor Services** | p: 13 51 53 | e: [info@fidante.com.au](mailto:info@fidante.com.au) | w: [www.fidante.com.au](http://www.fidante.com.au)

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. Eiger 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, Eiger 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.