

# Eiger Australian Small Companies Fund



ARSN 631 961 398 APIR HOW2967AU

## Monthly Fact Sheet February 2022

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 28 Feb 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	-3.50	-14.15	5.77	18.44	-	-	-	15.49
S&P/ASX Small Ordinaries Accumulation Index	-0.01	-7.71	5.02	10.93	-	-	-	8.35
Active return	-3.49	-6.44	0.75	7.51	-	-	-	7.14

<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, 28 Feb 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 28 Feb 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	-3.50	-14.15	5.77	18.44	15.29	13.93	12.42	10.41
S&P/ASX Small Ordinaries Accumulation Index	-0.01	-7.71	5.02	10.93	7.74	9.35	5.50	4.15
Active return	-3.49	-6.44	0.75	7.51	7.55	4.58	6.92	6.26

<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, 28 Feb 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>	\$285.0M
<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)

AP Eagers Limited  
 ARB Corp Ltd  
 Johns Lyng Group Ltd

### Stock attribution (alphabetical)

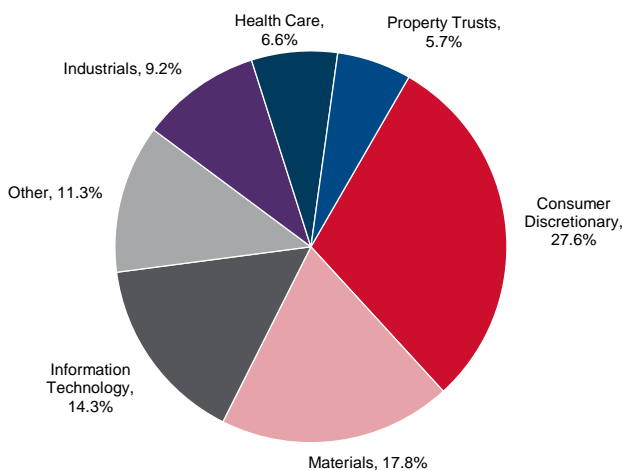
#### Top contributors (month)

Evolution Mining Ltd  
 Gold Road Resources Ltd  
 Lynas Rare Earths Ltd

#### Top detractors (month)

Domino's Pizza Enterprises Limited  
 Life360 Inc  
 Pilbara Minerals Ltd

Asset allocation	Actual %	Range %
Security	92.51	90-100%
Cash	7.49	0-10%



### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.01% for the month. The fund underperformed the market and delivered a -3.50% return over the month.

### Contributors

#### Evolution Mining Ltd (EVN)

Strong commodity prices.

#### Gold Road Resources Ltd (GOR)

Strong commodity prices.

#### Lynas Rare Earths Ltd (LYC)

Strong commodity prices.

### Detractors

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

Rotation away from growth. Minor interim earnings miss.

### Life360 Inc (360)

Rotation away from growth and tech. Full year result as expected.

### Pilbara Minerals Ltd (PLS)

Strong in prior month.

### Market overview

The S&P/ASX Small Ordinaries Index (XSO) was flat (-0.01%) during February 2022. The Small Industrials decreased by 2.3%, while the Small Resources increased by 7.6%. XSO finished the month on a 2yr forecast P/E ratio of 17.9x which is 5.8% above its 5-year average. This valuation is a 13.8% premium to the ASX200.

The best performing sectors were: Metals & Mining - Precious, (+14.8%), Energy (+9.6%), Mining Services & Engineering (+9%) and Metals & Mining - Steel (+7.1%). The worst performing sectors during February were Biotechnology (-19.4%), Industrial Technology (-12%), IT Products & Services (-11.2%), and Financial Services (-6.8%).

The best performing stocks within the XSO Index were NRW (NWH, +36%), CIMIC (CIM, +35%), Sims (SGM, +28%) and Monadelphous (MND, +26%). NRW reported interim earnings at the top end of guidance as did Monadelphous. CIMIC received a takeover offer for the outstanding balance of shares not owned by Hochtief.

The worst performing stocks in the XSO index were Life360 (360, -37%), NOVONIX (NVX, -33%) and Tyro Payments (TYR, -31%). We believe that NOVONIX and Life360 were principally impacted by the rotation away from high growth, high valuation equities particularly in the S&P ASX Small Ordinaries Index. Tyro payments reported a weak interim result.

### Market outlook

World markets in one month have flipped from concern about the rate and trajectory of recovery from the Omicron COVID wave and the persistence of inflation to the impact of the Russian conflict in Ukraine. The conflict and associated sanctions, which continue to grow in scope, have had a major impact on commodity prices. Russia and Ukraine are major exporters of minerals, including aluminium, gold and energy. In addition, Russia has significant market share in the export of nickel, platinum and palladium. Russia and Ukraine are also major suppliers of soft commodities notably wheat. The prospect of significant price increases in commodity prices, particularly oil and gas, is highly likely to lift inflation expectations both in size and duration. Central banks are now in an unenviable position. The US bond market has strengthened as the markets grapple with a traditional flight to quality of \$US and the risk of an economic slowdown. Inflation is rising while there is the prospect that economies may weaken.

The price of hard and soft commodities and particularly energy, which had risen over the last 12 months have now jumped significantly. Energy costs are likely to feed into widespread price rises if they persist at anything like spot levels. In addition, the ability of China to supply the world with a just-in-time supply on a huge range of consumer goods had already been impacted by high shipping costs. This impact seems unlikely to unwind quickly following to onset of conflict in Europe.

Out of all this volatility we can only conclude that, following a decade of reduced exploration and production investment, high quality commodity exposures are likely to be important investments in a portfolio.

**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. 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.