

# Eiger Australian Small Companies Fund



ARSN 631 961 398 APIR HOW2967AU

## Monthly Fact Sheet May 2022

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 May 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	-8.22	-9.21	-8.38	13.57	9.57	-	-	10.77
S&P/ASX Small Ordinaries Accumulation Index	-7.01	-3.58	-4.56	9.96	5.50	-	-	6.44
Active return	-1.21	-5.62	-3.82	3.61	4.07	-	-	4.33

<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 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 May 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	-8.22	-9.21	-8.38	13.57	9.57	11.69	12.12	9.22
S&P/ASX Small Ordinaries Accumulation Index	-7.01	-3.58	-4.56	9.96	5.50	8.49	6.33	3.71
Active return	-1.21	-5.62	-3.82	3.61	4.07	3.20	5.79	5.50

<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 May 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>	\$298.8M
<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)

Pilbara Minerals Ltd  
 Ryman Healthcare Ltd  
 Technology One Limited

### Stock attribution (alphabetical)

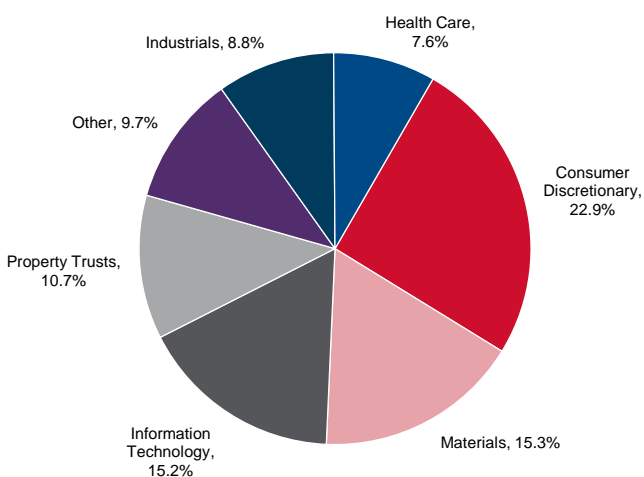
#### Top contributors (month)

Lynas Rare Earths Ltd  
 Pilbara Minerals Ltd  
 Ryman Healthcare Ltd

#### Top detractors (month)

AP Eagers Limited  
 ARB Corp Ltd  
 Johns Lyng Group Ltd

Asset allocation	Actual %	Range %
Security	90.13	90-100%
Cash	9.87	0-10%



### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -7.01% for the month. The fund underperformed the market and delivered a -8.22% return over the month.

### Contributors

#### Lynas Rare Earths Ltd (LYC)

Weak in prior month

#### Pilbara Minerals Ltd (PLS)

Weak in prior month

#### Ryman Healthcare Ltd (RYM NZ)

Positive result

### Detractors

#### AP Eagers Limited (APE)

Market concerns around discretionary spending

### ARB Corp Ltd (ARB)

Market concerns around discretionary spending

### Johns Lyng Group Ltd (JLG)

Director selling

### Market overview

The S&P/ASX Small Ordinaries Index (XSO) was down 8.5% during May 2022. The Small Industrials decreased by 10%, while the Small Resources decreased by 4.7%. XSO finished the month on a 2yr forecast P/E ratio of 15.2x which is 10.8% below its 5-year average. This valuation is a 3.3% premium to the ASX200.

The best performing sectors were: Energy (+3%), Metals & Mining - Steel, (-0.8%), IT Products & Services (-1.9%), and Mining Services & Engineering (-3%). The worst performing sectors during April were Industrial Technology (-17.3%), Building & Construction Products (-14.4%), Metals & Mining – Advanced Materials (-14.2%), and Real Estate Management & Development (-14.1%).

The best performing stocks within the XSO Index were Infomedia (IFM +35.7%), Polynovo (PNV +30%), Australian Agricultural (AAC +20.1%), and Brainchip (BRN +15.8%). Infomedia received competing takeover offers. Polynovo revealed significant insider share acquisitions. AAC reported strong results due to high cattle prices. Brainchip disclosed several commercial agreements including a partnership with ARM.

The worst performing stocks in the XSO index were Johns Lyng Group (JLG -32.9%), Sayona Mining (-31.2%), BWX (BWX -26.6%), and PPK Group (PPK -25.5%). Johns Lyng Group fell on news of Director selling. Sayona declined on the back of weak lithium Industry share price performance due to broker downgrades. BWX provided guidance below consensus. PPK continues to fall on the back of significant restructuring.

### Market outlook

World markets continue to be concerned about the rate and trajectory of recovery from the Omicron COVID wave in China and the ever-increasing concerns around inflation. The conflict and associated sanctions on Russia, which continue to grow in scope, have had a major impact on commodity prices, particularly energy and wheat. Central banks are now in an unenviable position. They need to stamp out a worldwide inflation outbreak while growth is weakening, and geopolitical risk is very high.

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 continue 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 and intermediate goods had already been impacted by high shipping costs and now severe COVID lockdowns. These inflationary impacts seem unlikely to unwind quickly.

During the last six months equity markets have compressed the premium valuation of growth and tech stocks. Tech stocks in particular, which often have no earnings, have been hit particularly hard as interest rates have risen. We believe the focus of equity markets is now likely to shift to who can manage cost pressures whether a company is viewed as low growth, high growth or loss-making tech.

**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 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 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 Capital and Fidante Partners 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 Capital and Fidante Partners 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.