

# Eiger Australian Small Companies Fund

ARSN 631 961 398 APIR HOW2967AU



## Monthly Fact Sheet July 2022

### Fund Performance

Eiger Australian Small Companies Fund Performance (after fees) as at 31 Jul 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	10.93	-8.76	-16.19	10.15	6.95	-	-	10.03
S&P/ASX Small Ordinaries Accumulation Index	11.43	-9.94	-10.93	8.58	2.55	-	-	5.11
Active return	-0.50	1.17	-5.26	1.56	4.40	-	-	4.92

<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 Jul 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 Jul 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	10.93	-8.76	-16.19	10.15	6.95	10.96	11.97	9.02
S&P/ASX Small Ordinaries Accumulation Index	11.43	-9.94	-10.93	8.58	2.55	7.31	6.54	3.37
Active return	-0.50	1.17	-5.26	1.56	4.40	3.65	5.43	5.66

<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 Jul 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>	\$297.8M
<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)

Life360 Inc  
Lifestyle Communities Ltd  
Pilbara Minerals Ltd

### Stock attribution (alphabetical)

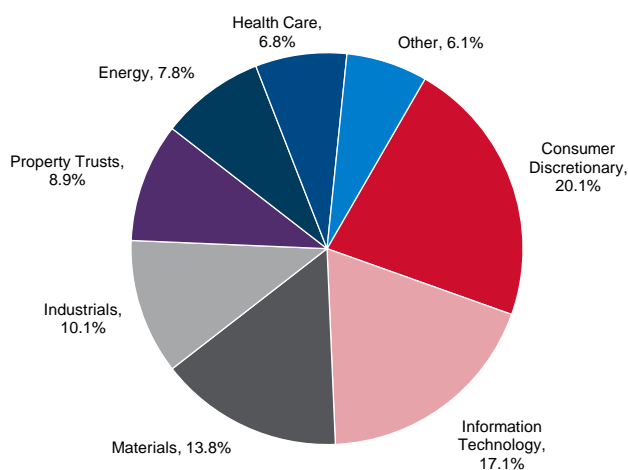
#### Top contributors (month)

AP Eagers Limited  
Johns Lyng Group Ltd  
Life360 Inc

#### Top detractors (month)

Elders Ltd  
Flight Centre Travel Group Limited  
Nitro Software Ltd

Asset allocation	Actual %	Range %
Security	90.79	90-100%
Cash	9.21	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +11.43% for the month. The fund underperformed the market and delivered a +10.93% return over the month.

## Contributors

### AP Eagers Limited (APE)

Earnings upgrade

### Johns Lyng Group Ltd (JLG)

Earnings upgrade

### Life360 Inc (360)

Rebound after weakness in prior months.

## Detractors

### Elders Ltd (ELD)

Concern around foot and mouth disease getting to rural Australia.

### Flight Centre Travel Group Limited (FLT)

Recession and travel disruption concerns.

### Nitro Software Ltd (NTO)

Weaker than expected 2Q update

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) was up 11.4% during July. The Small Industrials increased by 11.8%, while the Small Resources increased by 10.2%. The XSO finished the month on a 2yr forecast P/E ratio of 15.5x which is 8.7% below its 5-year average. This valuation is a 3.1% premium to the ASX200.

The best performing sectors in July were: Biotechnology (40.5%), Metals & Mining – Advanced Materials (20.6%), Retail (19.2%), and Automotive (18.1%). The worst performing sectors during the month were Agricultural Products (-7.7%), Metals & Mining – Steel (-7.5%), Wholesale, Distribution & Manufacturing (3.0%), and Infrastructure & Utilities (3.5%).

The best performing stocks within the XSO Index were Zip (ZIP 158.0%), Megaport (MP1 77.8%), Kogan (KGN 65.8%), and Telix Pharmaceuticals (TLX 63.1%). Zip, Megaport and Kogan have all been weak this year and rebounded with the rebound in the index during July. Telix reported its maiden quarter of commercial sales of Illuccix. Total revenue increased ten-fold vs the prior quarter.

The worst performing stocks in the XSO index were Sierra Rutile (SRX -25.6%), Jervois Global (JRV -24.5%), Leo Lithium (LLL -21.6%), and Nuix (NXL -19.7%). Sierra Rutile and Leo Lithium were spinouts and hence the first few days of trading may not be indicative of underlying value. Jervois reported a disappointing 2Q update.

## 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. 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. We continue to monitor the risk of recession closely and note a significant increase in mention and discussion of this theme across the market. The price of hard and soft commodities and particularly energy, have risen significantly over the last 12 months. Energy costs have begun to feed into widespread price rises further driving inflation. 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 persistent COVID lockdowns. These inflationary impacts will need to unwind quickly to avoid an inflation/wage cost spiral.

During the last six months equity markets have compressed the premium valuation of growth and tech stocks. Tech stocks, 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. We believe a wave of earnings downgrades

is possibly already underway with resources companies reporting significant cost pressures in their quarterlies. We will be looking to the release of full year results in August to gauge the ongoing severity and spread of cost pressures.

**For further information, please contact:**

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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.