Eiger Australian Small Companies Fund

April 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 April 2024

	1 month %	3 month %	1 year %	2 years % p.a	3 years % p.a	5 years % p.a	10 years % p.a	Inception % p.a[2]
Eiger Australian Small Companies Fund (net)	-2.8	4.2	5.4	1.8	1.1	8.6	-	9.2
S&P/ASX Small Ordinaries Accumulation Index	-3.1	3.3	7.4	-1.4	0.0	3.9	-	4.9
Active return	**0.3**	**0.9**	**-2.0**	**3.2**	**1.1**	**4.7**	**-**	**4.3**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 30 April 2024

	1 month %	3 month %	1 year %	2 years % p.a	3 years % p.a	5 years % p.a	10 years % p.a	Inception % p.a[3]
Investment strategy (net)	-2.8	4.2	5.4	1.8	1.1	8.6	10.2	8.8
S&P/ASX Small Ordinaries Accumulation Index	-3.1	3.3	7.4	-1.4	0.0	3.9	6.5	3.5
Active return	**0.3**	**0.9**	**-2.0**	**3.2**	**1.1**	**4.7**	**3.7**	**5.3**

1 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.
Source: Fidante Partners Limited, 30 April 2024.

2 The inception date for the Fund is 26 March 2019.

3 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, 30 April 2024.

Fund facts

Portfolio managers	Stephen Wood, Victor Gomes, David Haddad
Fund inception date	26 March 2019
Investment objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling five year periods (after fees).
Management fee	1.00%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark.[4]
Buy/sell spread	+0.40% / -0.40%
Fund size	$390.9M
Distribution frequency	Quarterly

Fund features

Concentrated

A best-ideas portfolio of small and medium company opportunities. Typically 30-40 stocks, diversified across industry sectors and actively risk managed

Nursery for future leaders

We focus on identifying small and medium 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.

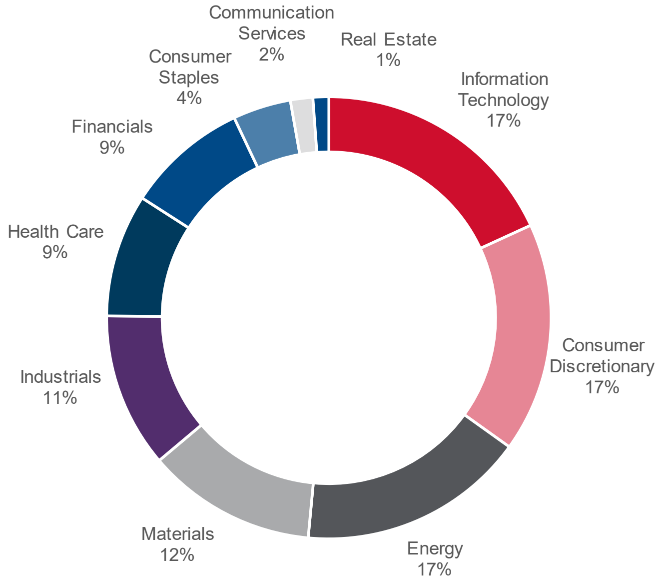
Top 3 active positions (alphabetical)
NextDC
Technology One
Telix Pharmaceuticals

Stock attribution (alphabetical)

Contributors	
Life360	Strong quarterly update
Telix Pharmaceuticals	Strong quarterly
Whitehaven Coal	Completion of material transaction

Detractors	
Eagers Automotive	Higher interest rate outlook
Johns Lyng Group	Insider share sale
Lifestyle Communities	Reduced sales guidance

Asset allocation	Actual %	Range %
Security	94.2	90-100%
Cash	5.8	0-10%



4 The Performance Benchmark is the daily return of the S&P/ASX Small Ordinaries Accumulation Index.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.1% for the month. The fund outperformed the market and returned -2.8% over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) decreased by 3.1% during the month. The Small Industrials increased by 5.0%, while the Small Resources increased by 2.0%. The XSO finished the month on a 2yr forecast P/E ratio of 16.2x which is 6.2% below its 5-year average. This valuation is a 5.4% premium to the ASX200.

The best performing sectors for the month were Base & Industrial Metals (+12.2%), Biotechnology (+7.9%), Precious Metals (+5.2%), and Industrial Technology (0.0%). The worst performing sectors were Aged Living (-14.8%), Retail (-9.5%), Real Estate Management & Development (-9.5%), and Consumer Discretionary & Leisure (-8.1%).

The best performing stocks within the XSO Index were Mesoblast (MSB +78.4%), Alpha HPA (A4N +23.3%), ioneer (INR +21.9%) and Latin Resources (LRS +21.6%). Mesoblast was given clearance by the FDA to resubmit an application for the sale of remestemcel-L a treatment for acute GVHD (Graft-vs-host disease) in children. Alpha HPA announced financing support totalling A$400m from the Australian Government for stage 2 of the HPA First Project. The project aims to produce commercial quantities of pure aluminium. ioneer announced progress toward a final investment decision on its lithium-boron critical minerals project in North America. Latin Resources reported multiple high grade assay results at its Brazilian lithium project.

The worst performing stocks in the XSO index were Kogan.com (KGN -35.0%), Star Entertainment (SGR -29.6%), Cettire (CTT -26.2%), and APM Human Services (APM -25.5%). Kogan announced a weak 3Q trading update with gross sales -6.2% vs the prior comparable period. Star Entertainment announced a weaker than expected 3Q trading update. There was ongoing negative news surrounding an enquiry into whether the company is fit to run a casino in NSW. Toward the end of the month The Chairman stepped down days after his appearance at the enquiry. Cettire continued to receive negative press surrounding the selldown of shares by its CEO. The takeover offer for APM Human Services by CVC was withdrawn.

Market outlook

Following a sustained rally over two successive quarters to March, markets slumped in April with the S&P500 recording its first monthly drop since October (down 4.2%). Recent data highlighted the US economy grew at an annualised pace of 1.6% in the first quarter, far below the 3.4% clip in the fourth quarter of last year. This weakness suggests the US is more in line with the rest of the world than previously thought. The US Federal Reserve's preferred inflation gauge ticked marginally higher to 2.7% this year to March and US employment cost inflation remains high. The data suggests what could be an unsettling mix of slower growth and sticky inflation. The expectation of several rate cuts has been pared back further into April given current inflation momentum, with some investors heeding the long shot of a rate rise. Inflation, while higher than desired, is markedly lower but appears sticky at current levels given elevated housing, core services and wage inflation. Australia has mirrored the US data with CPI rising to 1% for the March quarter (annualised is 4%) and the annual rate of GDP growth slowed to 1.5%. With this, the market appears a little more downbeat. The latest US Job Openings, while falling to a three-year low of 8.5m in March (peaked at 12.2m in March 2022), remain at historically high levels. Further to this, the number of people quitting jobs declined to the lowest level since January 2021. Most data affirms a labour market that remains resilient albeit moderating from historical highs in the US, Australia, and most developed markets. An unexpected weakening of the labour market could spur rate cuts. While consumer spending appears more value-oriented, notably at the low-end, it continues to be buffered by job security on the back of historically low unemployment.

China remains burdened by an indebted real estate sector which continues to suppress consumer confidence. Measures by the government to stimulate homebuyer demand through rate cuts appear to have done little to boost consumer confidence. To cushion the impact of its property woes, China appears to be doubling down on manufacturing and domestic tech investment. Negative sentiment on China remains as globalisation unwinds, SOE credit fuelled growth can no longer be sustained, and a consumer-led recovery appears hopeful.

In equities, longer duration compound growth assets may be the better performers in the year ahead on peak rates and a weakening growth outlook. However, this assumes that long duration growth assets can continue to grow, which implies that their growth is structural.

Eiger Capital team

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For further information, please contact:

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