Eiger Australian Small Companies Fund

December 2023

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 December 2023

	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)	2.9	-0.2	6.4	-9.0	3.0	-	-	8.7
S&P/ASX Small Ordinaries Accumulation Index	7.2	8.5	7.8	-6.2	1.0	-	-	4.3
Active return	**-4.3**	**-8.7**	**-1.4**	**-2.8**	**2.0**	**-**	**-**	**4.4**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 December 2023

	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)	2.9	-0.2	6.4	-9.0	3.0	10.4	10.5	8.7
S&P/ASX Small Ordinaries Accumulation Index	7.2	8.5	7.8	-6.2	1.0	6.4	6.0	3.3
Active return	**-4.3**	**-8.7**	**-1.4**	**-2.8**	**2.0**	**4.0**	**4.5**	**5.4**

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, 31 December 2023.

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, 31 December 2023.

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 ve 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	$376.8M
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.

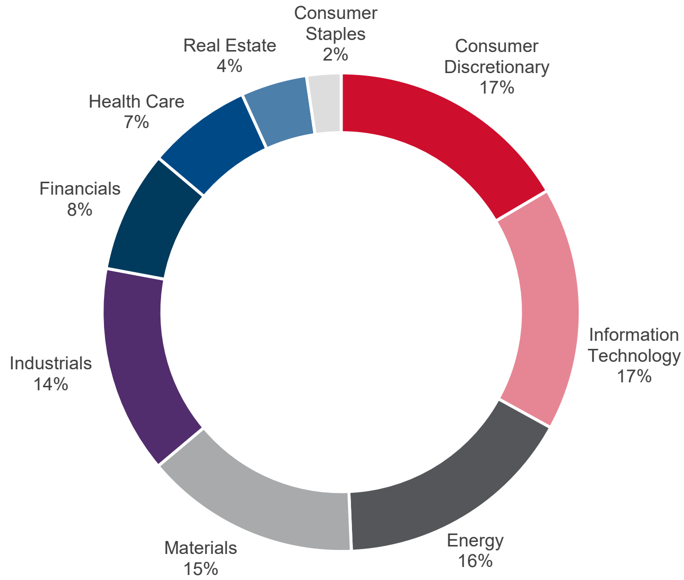
Disciplined and proven process

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)
Domino's Pizza
Life360
Technology One

Stock attribution (alphabetical)	
Contributors	
Audinate	Quality re-rating
Elders	Strong cashflow in result
Reece	US housing remains strong
Detractors	
Boss Energy	Capital raising
Integral Diagnostics	Disappointing cost reduction outcome
Karoon Energy	Capital raising

Asset allocation	Actual %	Range %
Security	92.8	90-100%
Cash	7.2	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 8.5% for the quarter. The fund underperformed the market and returned -0.2% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 8.5% during the quarter. The Small Industrials increased by 9.5%, while the Small Resources also increased by 5.8%. The XSO finished the month on a 2yr forecast P/E ratio of 17.9x which is 4.1% above its 5-year average. This valuation is an 8.8% premium to the ASX200.

The best performing sectors for the quarter were Biotechnology (+31.4%), Real Estate Management & Developers (+23.6%), Metals & Mining - Precious Metals (+21.2%) and Building & Construction Products (+17.9%). The worst performing sectors for the quarter were Metals & Mining - Critical Minerals (-19.9%), Energy (-4.4%), Telecommunications (-3.2%) and Automotive (+0.7%).

The best performing stocks within the XSO Index during the quarter were Imugene (IMU +139.1%), Zip (ZIP +135.0%), Neuren Pharma (NEU +125.8%), and Mayne Pharma (MYX +89.2%). Imugene and Neuren both provided positive early trial results. In addition, earlier in the December quarter Neuren was able to estimate royalties from its key product which is being sold and distributed by Acadia Pharma. Neuren Pharma is solidly cashflow positive. ZIP and Mayne Pharma both reported 1QFY24 sales that were better than the market expected. Both companies' sales had been on a downward trend and reversed causing a sharp share price turnaround.

The worst performing stocks in the XSO index were Appen (APX -44.1%), Neometals (NMT -41.7%), Core Lithium (CXO -38.3%), and Bowen Coking Coal (BCB -37.8%). Appen reported a 1HC23 loss compared with a pro t in the prior equivalent period and that revenue in 2HC23 would only be flat. Neometals and Core Lithium have both been significantly impacted by the rapid decline in lithium prices. Bowen Coking Coal announced that the Bluff mine was transitioned to care and maintenance and sought a capital injection from New Hope Corp.

Market outlook

There are a growing number of signs that inflation is finally moderating and could stay lower for longer after the fastest pace of interest rate increases in more than three decades. US economic growth remains strong but needs to be supported by very high levels of government spending (leading to record government debt). The key indicator to watch, for any imminent US economic weakness, will be a rising unemployment rate or other signs of a weakening jobs market. Consumers will keep spending so long as they remain confident in their jobs. Chinese economic growth is still challenging and is burdened by a very indebted real estate sector populated with numerous zombie property developers. European economic indicators have become a bit less negative recently. Australia continues to perform well economically, but just like the US, any emerging signs of employment weakness will be a key determinant for the economic outlook.

Global equity markets have been strong this year and exceptionally strong in the December quarter as the prospect of the end of the rate cycle has become more evident. The key question is now when do rates fall? Equity and bond markets now firmly believe that rate cuts are imminent and will be persistent as the inflation genie is in "in the bottle". The risk is that services (as opposed to goods) in ation holds core inflation at a level that limits rate cuts. Another key supporting factor for higher rates is the need to constantly refinance higher COVID era debt in addition to significant ongoing Govt deficits.

In this environment, the outlook for commodity prices including energy could be more challenging. Gold is the exception and is now comfortably above US$2000/oz. In equities, longer duration compound growth assets may be the better performers in the year ahead if we see rates peaking and a weakening growth outlook.

Australian consumers and businesses continue to be surprisingly resilient. Higher interest rates are a burden for mortgage holders but a stimulus for asset owners. The latter group show little restraint in spending. The former also have additional pressures including other cost-of-living challenges.

We anticipate growth equity stocks will benefit from this more subdued outlook provided they can continue to grow in these tougher economic times. Overall, we remain a little wary but to some extent encouraged by the more positive valuation outlook for our growth compounders in this weakening macroeconomic.

Eiger Capital team

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