

# Eiger Australian Small Companies Fund

February 2024

## Fund Performance<sup>1</sup>

Eiger Australian Small Companies Fund Performance (net of fees) as at 29 February 2024

|   | 1 month<br>% | 3 month<br>% | 1 year<br>% | 2 years<br>% p.a | 3 years<br>% p.a | 5 years<br>% p.a | 10 years<br>% p.a | Inception<br>% p.a <sup>2</sup> |
|---|--------------|--------------|-------------|------------------|------------------|------------------|-------------------|---------------------------------|
| Eiger Australian Small Companies Fund (net) | 2.7          | 6.5          | 6.9         | 0.5              | 2.3              | -                | -                 | 9.2                             |
| S&P/ASX Small Ordinaries Accumulation Index | 1.7          | 10.1         | 7.8         | -0.4             | 1.4              | -                | -                 | 4.7                             |
| <b>Active return</b>                        | <b>1.0</b>   | <b>-3.6</b>  | <b>-0.9</b> | <b>0.9</b>       | <b>0.9</b>       | <b>-</b>         | <b>-</b>          | <b>4.5</b>                      |

## Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund<sup>3</sup> (net of fees) as at 29 February 2024

|   | 1 month<br>% | 3 month<br>% | 1 year<br>% | 2 years<br>% p.a | 3 years<br>% p.a | 5 years<br>% p.a | 10 years<br>% p.a | Inception<br>% p.a <sup>3</sup> |
|---|--------------|--------------|-------------|------------------|------------------|------------------|-------------------|---------------------------------|
| Investment strategy (net)                   | 2.7          | 6.5          | 6.9         | 0.5              | 2.3              | 9.1              | 10.2              | 8.8                             |
| S&P/ASX Small Ordinaries Accumulation Index | 1.7          | 10.1         | 7.8         | -0.4             | 1.4              | 4.4              | 6.1               | 3.4                             |
| <b>Active return</b>                        | <b>1.0</b>   | <b>-3.6</b>  | <b>-0.9</b> | <b>0.9</b>       | <b>0.9</b>       | <b>4.7</b>       | <b>4.1</b>        | <b>5.4</b>                      |

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, 29 February 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, 29 February 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. <sup>4</sup> |
| Buy/sell spread        | +0.40% / -0.40%   |
| Fund size              | \$393.6M  |
| 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)

Life360

NextDC

Technology One

## Stock attribution (alphabetical)

### Contributors

ARB Strong result

Audinate Strong result

NextDC Strong result

### Detractors

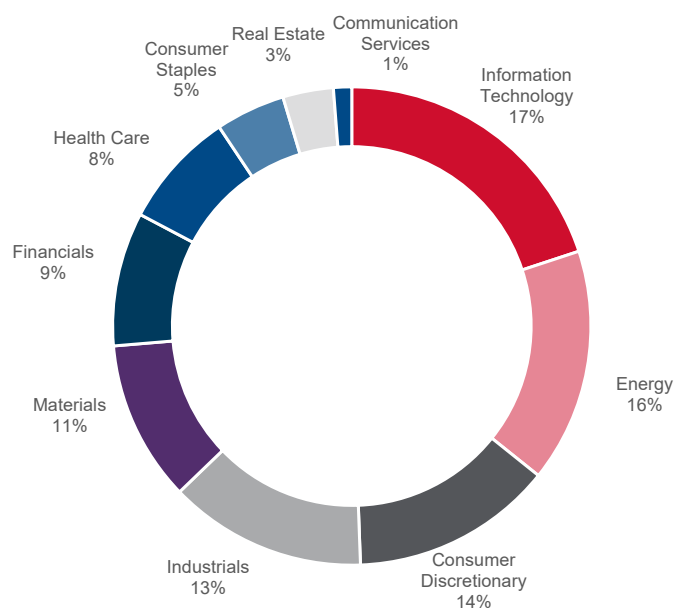
Lifestyle Communities Weak result and capital raising

Ryman Healthcare Reduced sales guidance

Whitehaven Coal Coal price, disappointing dividend

## Asset allocation

| Asset allocation | Actual % | Range % |
|------------------|----------|---------|
| Security         | 90.5     | 90-100% |
| Cash             | 9.5      | 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 1.7% for the month. The fund outperformed the market and returned 2.7% over the same period.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 1.7% during the month. The Small Industrials increased by 3.9%, while the Small Resources declined by 4.6%. The XSO finished the month on a 2yr forecast P/E ratio of 17.2x which is 9.6% above its 5-year average. This valuation is a 13.8% premium to the ASX200.

The best performing sectors for the month were Critical Minerals (+16.4%), Retail (+14.7%), Industrial Technology (+12.8%), and Automotive (+11.2%). The worst performing sectors were Steel (-10.4%), Energy (-7.0%), Precious Metals (-5.5%), and Consumer Discretionary & Leisure (-4.5%).

The best performing stocks within the XSO Index were BrainChip (BRN +140.6%), APM Human Services (APM +121.6%), Appen (APX +73.9%) and Cettire (CTT +52.1%). BrainChip made its second-generation Akida 2.0 IP solution available to customers. The upgrade can improve intelligent processing of streaming data - an enabler for growth in Edge AI. APM Human Services received a takeover offer. Appen announced aggressive cost cutting and management changes. Cettire, a luxury online shopping platform, announced a very strong 1H FY24 result.

The worst performing stocks in the XSO index were SSR Mining (SSR -55.5%), Strike Energy (STX -50.0%), Resolute Mining (RSG -22.1%), and Corporate Travel (CTM -21.2%). SSR suspended operation at its main mine in Turkey after a large-scale failure of a heap leach pad. Strike Energy announced that one of its test wells failed to deliver any initial flow. Resolute Mining announced 2Q FY24 production and guidance that was below market expectations. Corporate Travel similarly announced a 1H FY24 result that was below expectations and lowered its outlook guidance.

## Market outlook

Markets have risen to all-time highs despite the fastest pace of interest rate increases in more than three decades. Inflation has continued to moderate or hold steady but may prove sticky given elevated housing, core services and wage inflation. Imminent rate cuts appear to be off the table as these elements of the inflation basket take longer to normalise. Stock valuations remain undeterred by the delay to rate cuts and remain buoyant on more resilient economic data and earnings than anticipated.

The US shrugged off predictions of recession, delivering 2.5% GDP growth in 2023. The key indicator to watch in the US, for any imminent economic weakness, will be a rising unemployment rate or other signs of a weakening jobs market. 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. Unemployment rates have marginally ticked up but remain below the long run average. Recent Australian retail results reflect revenue and profit declines into a softening trading environment but exceeded market expectations and appear to have normalised post peak 2022 retail sales fuelled by Covid savings spend. While consumer spending appears more value-oriented it continues to be buffered by consumer 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. 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



**Stephen Wood**  
Principal and Portfolio Manager



**Victor Gomes**  
Principal and Portfolio Manager



**David Haddad**  
Principal and Portfolio Manager

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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.au](http://www.fidante.com.au) 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.