

# Eiger Australian Small Companies Fund

July 2023

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

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 July 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 <sup>2</sup>
Eiger Australian Small Companies Fund (net)	2.1	0.9	8.9	-4.5	9.7	-	-	9.8
S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	0.8	-5.3	5.9	-	-	4.1
<b>Active return</b>	<b>-1.4</b>	<b>0.7</b>	<b>8.1</b>	<b>0.8</b>	<b>3.8</b>	<b>-</b>	<b>-</b>	<b>5.7</b>

## Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund<sup>3</sup> (net of fees) as at 31 July 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 <sup>3</sup>
Investment strategy (net)	2.1	0.9	8.9	-4.5	9.7	7.8	11.6	9.0
S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	0.8	-5.3	5.9	3.2	6.2	3.2
<b>Active return</b>	<b>-1.4</b>	<b>0.7</b>	<b>8.1</b>	<b>0.8</b>	<b>3.8</b>	<b>4.6</b>	<b>5.4</b>	<b>5.8</b>

<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.

Source: Fidante Partners Limited, 31 July 2023.

<sup>2</sup> The inception date for the Fund is 26 March 2019.

<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 July 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 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	\$379.8M
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)

Life360

NextDC

Technology One

## Stock attribution (alphabetical)

### Contributors

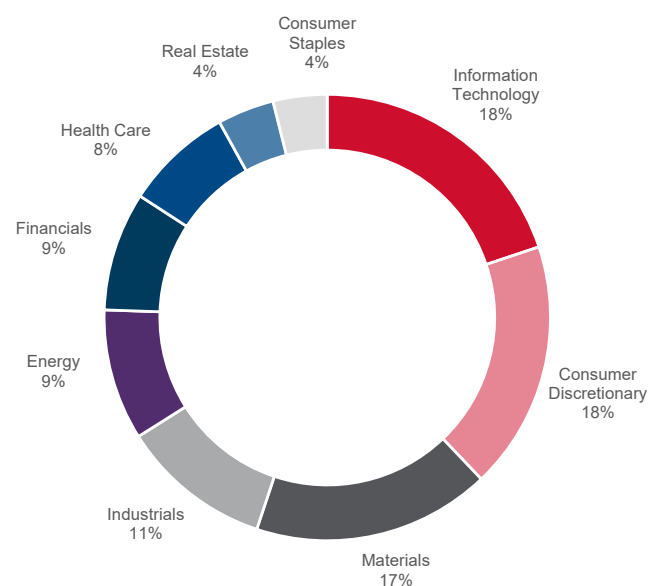
Core Lithium	Reduced production guidance (not owned)
Elders	CEO extended tenure
IDP Education	Weak in prior month

### Detractors

IGO	Writedown of nickel assets
Patriot Battery Metals	Weak critical minerals prices
PSC Insurance	Unwind of prior month-end spike

## Asset allocation

Asset allocation	Actual %	Range %
Security	95.3	90-100%
Cash	4.7	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned 3.5% for the month. The fund underperformed the market and returned 2.1% over the same period.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased 3.5% during the month. The Small Industrials increased by 4.8%, while the Small Resources increased by 0.1%. The XSO finished the month on a 2yr forecast P/E ratio of 16.8x which is 1.5% below its 5-year average. This valuation is a 7.9% premium to the ASX200.

The best performing sectors for the month were Banks (+12.6%), Retail (+11.3%), Mining Services & Engineering (+11.1%), and Wholesale, Distribution & Manufacturing (+10.9%). The worst performing sectors were Critical Minerals (-10.0%), Healthcare (-0.7%), Infrastructure & Utilities (+0.5%), and Metals & Mining - Steel (+0.8%).

The best performing stocks within the XSO Index were SiteMinder (SDR +44.2%), Megaport (MP1 +41.3%), Kogan.com (KGN +25.4%), and Australian Ethical (AEF +23.2%). SiteMinder reported better than expected 4Q cashflow. Megaport upgraded guidance. Kogan announced preliminary FY23 EBITDA that was ahead of expectations.

The worst performing stocks in the XSO index were Bowen Coking Coal (BCB -31.3%), Core Lithium (CXO -29.0%), Lake Resources (LKE -25.0%), and Syrah Resources (SYR -22.7%). Bowen Coking Coal reported a weaker than expected 4Q net cashflow. Core Lithium and Lake Resources both updated medium term production expectations downward with higher operating costs. Syrah announced that production was paused in May and June.

## Market outlook

Headline inflation appears to be falling everywhere. Interest rate rises are having an impact. US economic growth in particular has been stronger than we had expected. The US economy appears to have, for now, shrugged off a recession and a possible banking crisis. If anything the economic concerns have switched to China. European economic growth is somewhere in between. Markets have responded positively to the prospect of a soft landing and the peak in the current interest rate cycle. Ironically a soft landing may cause the timing of interest rates actually declining to be pushed out. Commodity prices, particularly oil, have been stronger of late on this news and ongoing production cuts by OPEC+. Like economic growth, other commodity prices have typically been flat over a year.

Australian consumers and businesses, already facing much higher mortgage payments and rents are still digesting increased energy prices. The capital returns required on regulated clean energy assets seem likely to overwhelm the benefits of reduced fossil fuel prices. The energy issue in Australia seems likely to remain the rate at which coal fired power stations continue to close (or break) vs the rate at which energy storage, including Snowy 2.0, can be deployed. In a similar vein to the unenviable position facing Central Banks, the supply of energy to the East Coast of Australia needs, in our view, a rapid increase in investment in gas production which looks unlikely.

We remain wary as we believe that general economic conditions are likely to remain patchy with some consumers (notably those exposed to interest from cash deposits) feeling better while those with mortgages feeling much worse. In general investors should avoid companies that have significant debt and may need to use the equity markets to reduce gearing. We also note from the recent resource quarterlies that tight labour conditions remain but are not as bad as last year. We believe that the cost of completing resource projects in Australia will not decline until Government infrastructure spending reduces, which it appears to be doing as projects get cancelled or delayed.

## Eiger Capital team



**Stephen Wood**  
Principal and Portfolio  
Manager



**Victor Gomes**  
Principal and Portfolio  
Manager



**David Haddad**  
Principal and Portfolio  
Manager



**Alison Dalziell**  
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.