Eiger Australian Small Companies Fund

June 2023

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 June 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)	-0.2	2.1	18.4	-3.6	11.0	-	-	9.4
S&P/ASX Small Ordinaries Accumulation Index	0.0	-0.5	8.4	-6.6	5.2	-	-	3.3
Active return	**-0.2**	**2.6**	**10.0**	**3.0**	**5.8**	**-**	**-**	**6.1**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 30 June 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)	-0.2	2.1	18.4	-3.6	11.0	7.2	12.3	8.9
S&P/ASX Small Ordinaries Accumulation Index	0.0	-0.5	8.4	-6.6	5.2	2.3	6.8	2.9
Active return	**-0.2**	**2.6**	**10.0**	**3.0**	**5.8**	**4.9**	**5.5**	**6.0**

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 June 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, 30 June 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	$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.

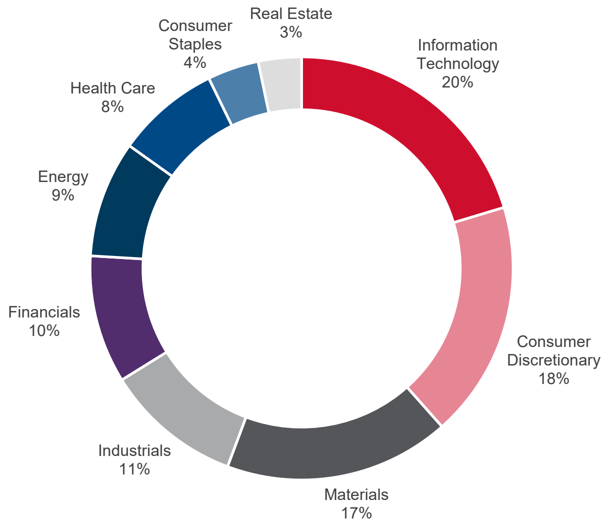
Disciplined and proven process

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)
Life360
NextDC
Technology One

Stock attribution (alphabetical)	
Contributors	
Life360	Positive 1Q update
Boss Energy	Honeymoon mine on time and on budget
NextDC	Beneficiary of AI
Detractors	
IDP Education	Canada approves alternative English test
Johns Lyng Group	Earnings update mixed
Elders	Anticipation of dry weather

Asset allocation	Actual %	Range %
Security	92.9	90-100%
Cash	7.1	0-10%



Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.5% for the quarter. The fund outperformed the market and returned 2.1% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) was down 0.5% during the quarter. The Small Industrials increased by 2.3%, while the Small Resources declined by 7.5%. The XSO finished the month on a 2yr forecast P/E ratio of 15.9x which is 7.0% below its 5-year average. This valuation is a 6.5% premium to the ASX200.

The best performing sectors for the quarter were Building & Construction Products (+18.9%), Real Estate Management & Development (+16.1%), Biotechnology (+12.8%) and Asset Management (+8.7%). The worst performing sectors were: Metals & Mining - Precious (-13.6%), Wholesale, Distribution & Manufacturing (-13.2%), Banks (-11.9%) and Metals & Mining - Steel (-10.9%).

The best performing stocks within the XSO Index during the quarter were Leo Lithium (LLL +105.8%), Megaport (MP1 +75.2%), Temple & Webster (TPW +70.9%), and Telix Pharma (TLX +62.6%). Leo Lithium announced a $106m strategic placement to battery maker Ganfeng. Megaport is viewed a beneficiary of AI. Temple & Webster announced a better than expected update in early May.

The worst performing stocks in the XSO index were Syrah (SYR -50.7%), Hastings Technology (HAS -47.5%), Arafura Rare Earths (ARU -38.4%), and Bowan Coking Coal (BCB -36.0%). Syrah reported higher than expected costs at its Balama mine in Mozambique and a range of new funding iniatives. Hastings announed that it has slowed the development of its Yangibana rare earth project in WA to reduce up front cash requirements. Arafura progressively declined through the June quarter as NdPr prices, a key rare earth commodity, declined during the quarter. 3 of the 4 worst Small Ordinaries performers this quarter are incomplete projects or cash flow negative critical metals producers.

Market outlook

Headline inflation appears to be falling but it remains stubbornly at levels that are rapidly eroding wealth and purchasing power. The key issue facing markets, we believe, is the rate at which inflation falls from current levels. Core inflation in many countries is flat at best. Oil prices are now weakening on concerns that the economic recovery in China has stalled. That should assist worldwide inflation. However, demand for wage increases has not declined, particularly in Govt services such as health and education. Rent is also emerging as a major inflation headache. Central Banks face a choice that is unenviable. Keep raising rates and risk a deep recession or pause and discover in a few months that an inflationary cycle has become imbedded. Central Bank interest rates are now at or over 5% in some countries.

Australian consumers and businesses, already facing much higher mortgage payments and rents, continue to face ongoing increases in food and energy costs. The capital returns required on regulated clean energy assets, particularly transmission, seem likely to overwhelm the benefits of reduced fossil fuel prices. In Australia coal fired power stations continue to close (or break) and energy storage requires years if not decades to transition to providing most of the mainstream base load power. The rate of construction of renewable assets appears far too slow to achieve end of decade targets. 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. This is occurring at a time when exploration and production approvals are very difficult and very time consuming to obtain.

We remain wary as we believe that general economic conditions continue to deteriorate. 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 are likely to lead to cost blowouts and delays in projects. We believe that the cost of completing resource projects in Australia will not decline until infrastructure spending reduces.

Eiger Capital team

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