Eiger Australian Small Companies Fund

June 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 June 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)	-1.4	-2.9	6.4	12.3	-0.4	7.9	-	8.9
S&P/ASX Small Ordinaries Accumulation Index	-1.4	-4.5	9.3	8.9	-1.5	3.7	-	4.4
Active return	**0.0**	**1.6**	**-2.9**	**3.4**	**1.1**	**4.2**	**-**	**4.5**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 30 June 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)	-1.4	-2.9	6.4	12.3	-0.4	7.9	10.5	8.7
S&P/ASX Small Ordinaries Accumulation Index	-1.4	-4.5	9.3	8.9	-1.5	3.7	6.4	3.4
Active return	**0.0**	**1.6**	**-2.9**	**3.4**	**1.1**	**4.2**	**4.1**	**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 June 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 June 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	$390.1M
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.

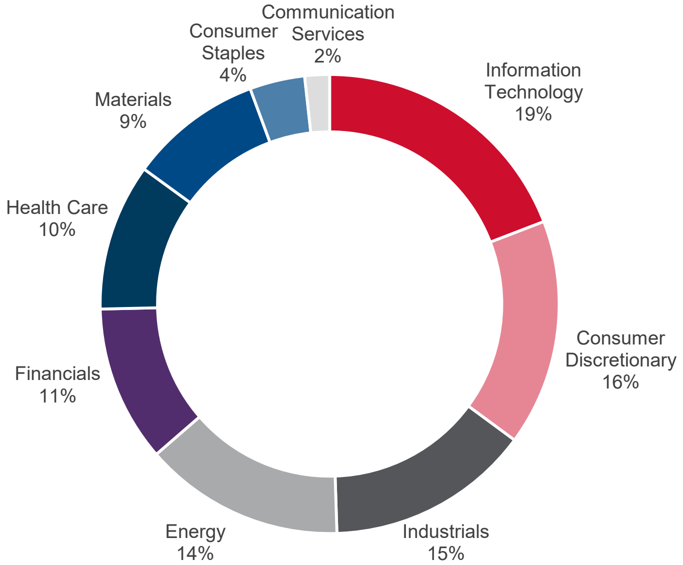
Top 3 active positions (alphabetical)
Life360
Technology One
Telix Pharmaceuticals

Stock attribution (alphabetical)

Contributors	
Life360	NASDAQ listing, ongoing subscriber growth
Technology One	Strong interim result
Telix Pharmaceuticals	Positive trial results

Detractors	
Audinate	Respected CFO departure
Eagers Automotive	Interim earnings downgrade
Ryman Healthcare	CEO resignation

Asset allocation	Actual %	Range %
Security	92.0	90-100%
Cash	8.0	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 -4.5% for the quarter. The fund outperformed the market and returned -2.9% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) declined by 4.5% during the quarter. The Small Industrials declined by 4.5%, while the Small Resources declined by 4.3%. The XSO finished the month on a 2yr forecast P/E ratio of 16.2x which is 6.0% below its 5-year average. This valuation is in line with the ASX200.

The best performing sectors for the quarter were Biotechnology (+20.9%), Metals & Mining - Base & Industrial Metals (+6.2%), Banks (+2.2%) and Metals & Mining - Precious Metals (+1.8%). The worst performing sectors for the quarter were Metals & Mining - Critical Minerals (-22.1%), Automotive (-16.6%), Retail (-14.1%) and Metals & Mining - Steel (-13.6%).

The best performing stocks within the XSO Index during the quarter were Mesoblast (MSB +78.4%), Telix Pharma (TLX +44.7%), OFX (OFX +35.6%), and West African Resources (WAF +34.2%). Mesoblast announced that after additional consideration the U.S. FDA would allow it to re-file its application for the treatment of remestemcel-L of paediatric patients without a further Phase 3 study. Telix announced 1Q24 revenue that was ahead of market estimates, that its next diagnostic had been granted FDA fast track designation and its therapy for prostate cancer had an early positive data readout. OFX announced results for FY24 that were better than market expectations.

The worst performing stocks in the XSO index were Cettire (CTT -71.1%), Wildcat Resources (WC8 -51.9%), Kogan.com (KGN -46.6%), and Imugene (IMU -45.7%). Cettire provided a disappointing trading update. The luxury goods sector continues to be impacted by weak demand. WC8 was impacted by persistent weakness in demand for lithium. Kogan announced a disappointing FY24 Q3 update. The timing of a preceding executive selldown was therefore viewed by the market as unfortunate.

Market outlook

Upward momentum in equity markets continued in June, although Australian shares underperformed the Global indices. The MSCI Developed Markets Index rose +2.4% and the S&P500 gained +3.6% while the S&P/ASX 200 rose just +1.0%.

In Australia, serial indications of sticky inflation reflect progress to temper inflation has stalled. The Reserve Bank of Australia's ('RBA') preferred measure for inflation accelerated to 4% in May, well above the 2 – 3% target. Fears the RBA could resume tightening at the August meeting have risen. It is important to note Australia's policy rate still sits below some central bank peers. Inflation in the US fell to 2.6% in May, according to the Fed's preferred measure, down from 4% a year earlier but still above the 2.0% goal. Inflation across much of the developed world outside Australia is markedly lower, albeit above target given core services, housing, and wage inflation. Several rate cuts in the developed world have commenced with Canada and the Eurozone both executing a 25-basis point cut. The US Federal Reserve continues to be closely watched; one rate cut is priced in this year.

Big-spending government policies the world over have continued to frustrate Central Bank aims to counter inflation and could prove detrimental to long run inflation. In the US expansionary fiscal policy continues through the Inflation Reduction Act. In Australia, fiscal policy mostly but not exclusively at the state government level has continued to frustrate RBA efforts.

Current evidence of a weakening labour market in Australia is scant. In the US, the labour market has cooled with unemployment creeping up from the half-century low of 3.4% a year ago to 4% in May (this is still considered full employment). Broadly, the consumer appears more challenged (there are pockets of resilience among certain cohorts) but continues to be buffered by job security on the back of low unemployment. An unexpected weakening of the labour market could spur rate cuts.

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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