Eiger Australian Small Companies Fund

March 2023

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 March 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	2.8	-10.8	-0.7	19.8	-	-	9.5
S&P/ASX Small Ordinaries Accumulation Index	-0.7	1.9	-13.2	-2.4	13.2	-	-	3.7
Active return	**0.5**	**0.9**	**2.4**	**1.7**	**6.6**	**-**	**-**	**5.8**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 March 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	2.8	-10.8	-0.7	19.8	8.2	11.3	8.9
S&P/ASX Small Ordinaries Accumulation Index	-0.7	1.9	-13.2	-2.4	13.2	3.9	5.2	3.0
Active return	**0.5**	**0.9**	**2.4**	**1.7**	**6.6**	**4.3**	**6.1**	**5.9**

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 March 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 March 2023.

Fund facts

Portfolio managers	Stephen Wood, Victor Gomes, David Haddad
Fund inception date	26 March 2019
APIR code	HOW2967AU
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.
Buy/sell spread	+0.40% / -0.40%
Fund size	$379.3M
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)

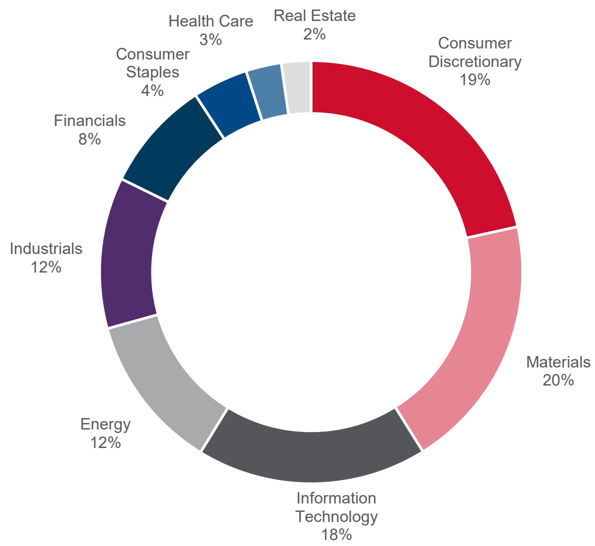
- Eagers Automotive
- NIB Holdings
- Technology One

Stock attribution (alphabetical)

Contributors	
ARB	Weak in prior quarter
Eagers Automotive	Strong full year result and outlook statement
Reece	Anticipation that rate cycle has alost peaked

Detractors	
Domino's Pizza	Full year guidance removed
Liontown Resources	Indicative offer at significant premium
Whitehaven Coal	Lower coal prices

Asset allocation	Actual %	Range %
Security	92.0	90-100%
Cash	8.0	0-10%



Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.9% for the quarter. The fund outperformed the market and returned 2.8% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) was up 1.9% during the quarter. The Small Industrials increased by 1.3%, while the Small Resources increased by 2.9%. The XSO finished the month on a 2yr forecast Price-to-Earnings (P/E) ratio of 15.2x which is 10.7% below its 5-year average. This valuation is a 6.4% premium to the ASX200.

The best performing sectors for the quarter were Wholesale, Distribution & Manufacturing (+18.1%), Automotive (+13.0%), Infrastructure & Utilities (+10.9%) and Biotechnology (+9.0%). The worst performing sectors were: Industrial Technology(-17.5%), Aged Living (-10.0%), Agricultural Products (-8.0%), and Real Estate Management and Developers (-6.0%).

The best performing stocks within the XSO Index during the quarter were Liontown Resources (LTR +95.5%), Neuren Pharma (NEU +70.0%), Westgold Resources (WGX +50.0%), and Accent Group (AX1 +49.0%). Liontown received a non binding offer at a substantial premium from US lithium major Albemarle. Neuren Pharma received FDA approval for the sale of DAYBLU, a treatment for Rett Syndrome. Westgold Resources responded to higher gold prices and a positive update from its BIg Bell mine.

The worst performing stocks in the XSO index were Jervois Global (JRV -76.0%), Bravura (BVS -59.9%), Lake Resources (LKE -44.4%), and 29metals (29M -38.0%). Jervois, a prospective cobolt miner, has halted its US project as current cobolt prices are not strong enough to make the project viable. Bravura completed a deeply discounted capital raising while Lake Resources responded to lower lithium prices and a substantial sell down by management.

Market outlook

World markets continue to be concerned about weakening growth and concerns around persisting inflation. This needs to be balanced against the prospect that the rate rise cycle is nearer to the end than the middle. Central banks are in an unenvious position. They need to stamp out a worldwide inflation outbreak while growth is weakening, and geopolitical risk is high. They now face the additional risk that some Bank balance sheets have been stressed by the rapid rise in interest rates over the last 18 months. This was an outcome nobody forecast a few months ago. We continue to believe that the real estate sector, with its high levels of gearing, is facing similar risks particularly real estate funds and ETF's as they have a material mismatch in asset and liability duration. The other outworking of the news that several banks have need bailouts has been a significant rise in the price of the traditional risk hedge: gold.

The February earnings season ended with an even split of positive and negative results but highlighted some universal themes. Input costs continue to climb and put pressure on margins with many companies highlighting wage and energy inflation. Some companies are starting to see signs of a shift in consumer behaviour but note that it has not yet been a dramatic shift. Whilst consumer demand has so far been resilient, we are monitoring indicators closely for signs of a more dramatic slowing.

We remain very wary as we believe that general economic conditions continue to deteriorate. We believe that 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 significant cost blowouts and delays in projects currently under construction. The Australian dollar has also declined almost 10% since late January having risen steadily since October. This is particularly positive for Australian resources exporters.

Eiger Capital team

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