Eiger Australian Small Companies Fund

May 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 May 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)	1.3	2.8	7.7	7.0	1.6	8.5	-	9.3
S&P/ASX Small Ordinaries Accumulation Index	0.0	1.5	10.9	2.2	-0.1	4.2	-	4.8
Active return	**1.3**	**1.3**	**-3.2**	**4.8**	**1.7**	**4.3**	**-**	**4.5**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 May 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)	1.3	2.8	7.7	7.0	1.6	8.5	10.5	8.9
S&P/ASX Small Ordinaries Accumulation Index	0.0	1.5	10.9	2.2	-0.1	4.2	6.5	3.5
Active return	**1.3**	**1.3**	**-3.2**	**4.8**	**1.7**	**4.3**	**4.0**	**5.4**

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 May 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, 31 May 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	$395.4M
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.

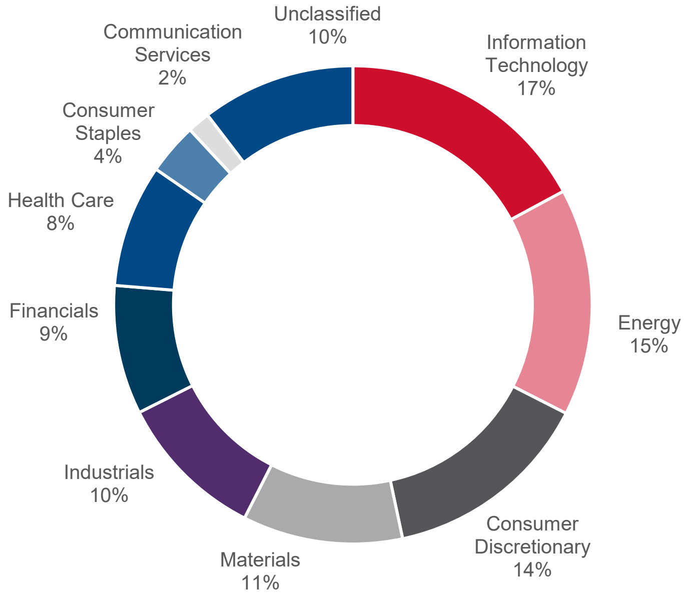
Top 3 active positions (alphabetical)
Life360
NextDC
Technology One

Stock attribution (alphabetical)

Contributors	
Life360	Strong first quarter result
Paladin Energy	Production on track
Telix Pharmaceuticals	Positive clinical study

Detractors	
Alumina	Global alumina supply shortfall
Audinate	Unexpected CFO resignation
Eagers Automotive	Weak interim result

Asset allocation	Actual %	Range %
Security	91.5	90-100%
Cash	8.5	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 was flat for the month. The fund outperformed the market and returned 1.3% over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) held flat during the month. The Small Industrials decreased by 0.9%, while the Small Resources increased by 1.9%. The XSO finished the month on a 2yr forecast P/E ratio of 16.4x which is 4.8% below its 5-year average. This valuation is a 5.3% premium to the ASX200.

The best performing sectors for the month were Biotechnology (+13.3%), Real Estate Management & Development (+8.5%), Mining Services & Engineering (+4.9%), and Base & Industrial Metals (4.6%). The worst performing sectors were Automotive (-13.6%), Industrial Technology (-8.6%), Commercial Services (-5.5%), and Steel Metals & Mining (-5.1%).

The best performing stocks within the XSO Index were Vulcan Energy (VUL +40.2%), Chalice Mining (CHN +36.8%), Sayona Mining (SYA +32.4%) and Resolute Mining (RSG +31.0%). Vulcan Energy announced that it had progressed into the second and final stage of its financing process, the completion of which should remove obstacles to bring more institutional investors onboard. Chalice Mining embarked on a process to define a smaller and higher-grade project that is expected to be more palatable than the version outlined in last year's Scoping Study. Sayona Mining announced the results at its Moblan Lithium Project which demonstrated the high grade nature of the asset. Resolute Mining released quarterly results which reflected operational improvements and cost reductions coupled with improving free cash flow and debt reduction.

The worst performing stocks in the XSO index were Omni Bridgeway (OBL -32.5%), Mayne Pharma Group (MYX -27.7%), Weebit Nano (WBT -27.6%), and Bapcor (BAP -26.5%). Omni Bridgeway, a litigation funder, announced that a judgement found in favour of Commonwealth Bank of Australia in relation to a class action suit funded by Funds 2&3 which led to an impairment of the investment in the case. Mayne Pharma suffered flow on impacts of the Change Healthcare cyberattack across the US healthcare system given a temporary demand lull for the NEXTSTELLIS product driven by a co-payer outage. Weebit Nano, a semiconductor firm, released a quarterly update which demonstrates the company continues to deliver negative operating cash flow and limited revenue. Bapcor provided a weak trading update and warned that soft conditions in its retail operations would drag net profit sharply lower. This follows two recent downgrades and the decision of Paul Drumbrell to pull out of the chief executive role.

Market outlook

Global markets rose in May following a slump in April, with the MSCI World gaining 3.8% and the Nasdaq delivering the strongest return of 6.9%. The ASX 200 lagged the MSCI World and delivered a total return of 0.9% in May.

The US Core Personal Consumption Expenditure (PCE) index, which excludes volatile food and energy prices, was up 2.8% on an annual basis to April. This figure has hovered within this range for several months now and continues to highlight the stickiness of current inflation. The data continues to suggest an unsettling mix of slower growth and sticky inflation for the US, closely mirroring global markets. While the expectation of several rate cuts in the US and UK has been pared back (given current inflation stickiness) and the Bank of Japan is more likely to raise rates, the European Central Bank (ECB) stands in stark contrast with a clear signal sent that the ECB will cut interest rates from its record high of 4% in June. Eurozone inflation has fallen from above 10% at its peak to a near three-year low of 2.4% in April. The ECB has indicated that they aim to keep rates in restrictive territory this year to ensure inflation keeps easing and subsequent rate cuts will be slower if there are upward surprises to inflation. Australia has mirrored the US data with trimmed mean inflation (the RBA's preferred measure) rising to 4.1% annualised to April. The Australian unemployment rate rose from 3.9% to 4.1%. US Job Openings data released for April reflects continued weakening to 8.1m (peaked at 12.2m in March 2022) but remains at historically high levels. Most data affirms a labour market that remains resilient albeit moderating from historical highs in the US, Australia, and most developed markets. An unexpected weakening of the labour market could spur rate cuts.

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. To cushion the impact of its property woes, China appears to be doubling down on manufacturing and domestic tech investment. After a strong start in the first quarter, economic activity softened in China with several Purchasing Managers' Index (PMI) readings pointing to a mixed picture.

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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