

# Eiger Australian Small Companies Fund

November 2023

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

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 November 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)	2.6	-5.8	-2.0	-9.7	4.0	-	-	8.2
S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-3.2	-8.8	-0.5	-	-	2.9
<b>Active return</b>	<b>-4.4</b>	<b>-2.9</b>	<b>1.2</b>	<b>-0.9</b>	<b>4.5</b>	<b>-</b>	<b>-</b>	<b>5.3</b>

## Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund<sup>3</sup> (net of fees) as at 30 November 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)	2.6	-5.8	-2.0	-9.7	4.0	8.2	10.3	8.5
S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-3.2	-8.8	-0.5	4.0	5.5	2.7
<b>Active return</b>	<b>-4.4</b>	<b>-2.9</b>	<b>1.2</b>	<b>-0.9</b>	<b>4.5</b>	<b>4.2</b>	<b>4.8</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, 30 November 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, 30 November 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. <sup>4</sup>
Buy/sell spread	+0.40% / -0.40%
Fund size	\$361.4M
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)

Domino's Pizza

Life360

Technology One

## Stock attribution (alphabetical)

### Contributors

Audinate No news

Calix Weak in prior month

Elders Strong 1H cashflow

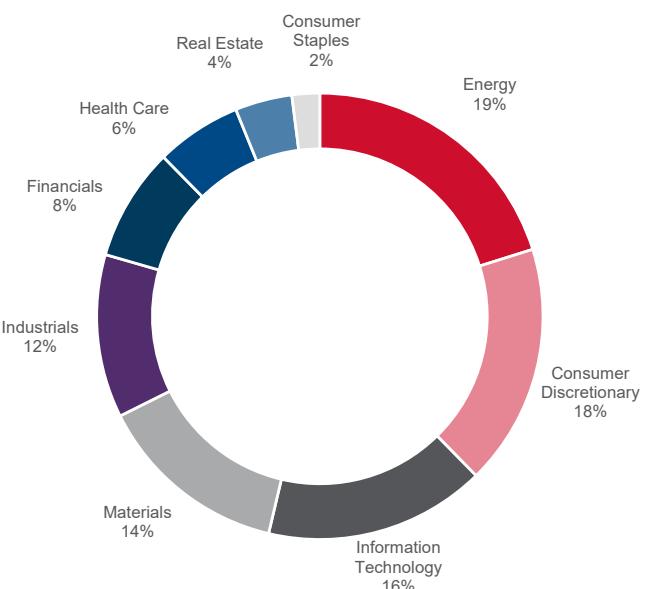
### Detractors

Integral Diagnostics Poor earnings update

Karoon Energy Impact of capital raise

New Hope Stagnant coal price

Asset allocation	Actual %	Range %
Security	95.4	90-100%
Cash	4.6	0-10%



## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned 7.0% for the month. The fund underperformed the market and returned 2.6% over the same period.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 7.0% during the month. The Small Industrials increased by 8.6%, while the Small Resources increased by 3.1%. The XSO finished the month on a 2yr forecast P/E ratio of 16.2x which is 5.2% below its 5-year average. This valuation is a 6.7% premium to the ASX200.

The best performing sectors for the month were Biotechnology (+31.2%), Real Estate Management & Development (+14.9%), Asset Management (+14.7%), and IT Products & Services (+11.8%). The worst performing sectors were Critical Minerals (-3.5%), Energy (-2.8%), Base & Industrial Metals (-1.8%), and Telecommunications (+2.0%).

The best performing stocks within the XSO Index were Imugene (IMU +155.8%), Temple & Webster (TPW +45.3%), Neuren Pharma (NEU +44.6%), and Zip (ZP1 +42.1%). Imugene provided a positive phase 1 update on its treatment for bile duct and other cancers. Temple & Webster reported strong sales growth for the July-November period including very strong (+100%) growth over the Black Friday sales period. Neuren announced details of the royalty stream they expect to get over the next few quarters from the successful launch of DAYBUE by their partner Acadia Pharma.

The worst performing stocks in the XSO index were Integral Diagnostics (IDX -33.5%), APM Human Services (APM -27.8%), Appen (APX -23.6%), and Core Lithium (CXO -22.2%). Integral Diagnostics released a disappointing update despite the medical imaging market growing at close to 10%. APM similarly provided a disappointing update noting that 1H24 earnings will be lower than 1H23. Appen announced a capital raising despite recent significant share price weakness.

## Market outlook

There are a growing number of signs that inflation is finally moderating and could stay lower for longer after the fastest pace of interest rate increases in more than three decades. US economic growth remains strong but needs to be supported by very high levels of government spending (leading to record government debt). The key indicator to watch, for any imminent US economic weakness, will be a rising unemployment rate or other signs of a weakening jobs market. Consumers will keep spending so long as they remain confident in their jobs. Chinese economic growth is still challenging and is burdened by a very indebted real estate sector populated with numerous zombie property developers. European economic indicators have become a bit less negative recently but navigating the coming winter from an energy cost and availability perspective will be a key factor. Australia continues to perform well economically, but just like the US, any emerging signs of employment weakness will be a key determinant for the economic outlook.

Overall economic growth looks less promising and when combined with signs of moderating inflation suggest that long bond rates may have peaked, and no further rate rises will be needed. To the contrary we may see rate cuts sooner than expected if the jobs market turns south. In this environment, the outlook for commodity prices including energy could be more challenging. Gold is the exception and is now comfortably above US\$2000/oz. In equities, longer duration compound growth assets may be the better performers in the year ahead if we see peaking rates and a weakening growth outlook.

Our gold exposure is currently neutral compared to our index and will benefit from lower inflation and weaker growth. We anticipate growth equity stocks will benefit from this more subdued outlook provided they can continue to grow in these tougher economic times. Overall, we remain a little wary but to some extent encouraged by the more positive valuation outlook for our growth compounding in this weakening macroeconomic environment.

## Eiger Capital team



**Stephen Wood**  
Principal and Portfolio Manager



**Victor Gomes**  
Principal and Portfolio Manager



**David Haddad**  
Principal and 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.