Eiger Australian Small Companies Fund

September 2023

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 September 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)	-2.9	1.7	12.3	-7.9	8.0	-	-	9.3
S&P/ASX Small Ordinaries Accumulation Index	-4.0	-1.9	6.8	-9.1	2.6	-	-	2.7
Active return	**1.1**	**3.6**	**5.5**	**1.2**	**5.4**	**-**	**-**	**6.6**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 30 September 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)	-2.9	1.7	12.3	-7.9	8.0	7.2	10.6	8.9
S&P/ASX Small Ordinaries Accumulation Index	-4.0	-1.9	6.8	-9.1	2.6	1.6	5.1	2.7
Active return	**1.1**	**3.6**	**5.5**	**1.2**	**5.4**	**5.6**	**5.5**	**6.2**

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 September 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 September 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	$396.4M
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.

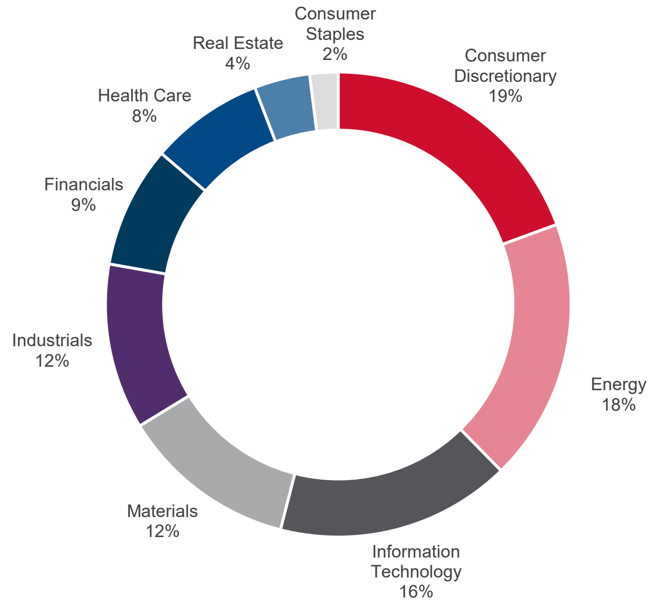
Disciplined and proven process

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)
Boss Energy
Life360
Technology One

Stock attribution (alphabetical)	
Contributors	
Boss Energy	Higher uranium price
Audinate	Strong result
Johns Lyng Group	Better than expected result
Detractors	
Patriot Battery Metals	Lower lithium price
IRESS	Poor FY23 result
Chalice Mining	Questionable forecast assumptions

Asset allocation	Actual %	Range %
Security	90.3	90-100%
Cash	9.7	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 1.7% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) declined by 1.9% during the quarter. The Small Industrials declined by 1.9%, while the Small Resources also declined by 1.9%. The XSO finished the month on a 2yr forecast P/E ratio of 15.8x which is 7.3% below its 5-year average. This valuation is a 6.1% premium to the ASX200.

The best performing sectors for the quarter were Energy (+27.4%), Wholesale, Distribution & Manufacturing (+18.7%), Retail (+12.9%) and Telecommunications (+12.2%). The worst performing sectors for the quarter were Metals & Mining - Critical Minerals (-26.7%), Metals & Mining - Base Metals (-18.8%), Biotechnology (-16.3%) and Industrial Technology (-15.6%).

The best performing stocks within the XSO Index during the quarter were Deep Yellow (DYL +74.2%), Megaport (MP1 +63.0%), Siteminder (SDR +58.6%), and Boss Energy (BOE +56.5%). Deep Yellow and Boss Energy are both exposed to the development and mining of uranium. The price of near term uranium futures have increased by 45% this year as nuclear energy is increasingly seen as the solution to zero carbon base load power. Boss Energy has also announced promising drilling results and is nearing production at its mine in South Australia. Megaport increased EBITDA guidance during the quarter.

The worst performing stocks in the XSO index were Mesoblast (MSB -65.6%), Chalice Mining (CHN -62.9%), Core Lithium (CXO -55.0%), and Leo Lithium (LLL -52.8%). Mesoblast reported in early August that the FDA required additional data to support approval for its remestemcel-L treatment. Chalice Mining announced a scoping study for its Gonneville nickel-copper-PGE project in WA. The market was disappointed at the commodity price and cost assumptions used. Core Lithium raised capital to continue to progress its lithium project. The market was disappointed with the projected production schedule over the next 2 years. Leo Lithium emerged from a long suspension (mid-July to early September) and announced that it is in discussions with the Government of Mali regarding the it's free carry stake and that direct shipping ore operations, which would have generated early cashflow, have been suspended.

Market outlook

The fastest pace of interest rate increases in more than three decades has moderated the worst of the recent high inflation. The jury remains out on whether the moderation is just a result of annual base effects or more fundamental. Despite the massive monetary austerity, US economic growth remains surprisingly robust perhaps due to the countervailing effects of very loose US fiscal policy i.e. “Bidenomics”. On the other hand, China continues to be the sickest of the major economies as it suffers from a multitude of structural ills (post zero-covid weakness, reluctance for material fiscal stimulus and the growing impact of the 3 D’s of debt, demographics and deflation). Europe continues to look a little better but signs of recession persist. Germany is especially vulnerable given its greater reliance on exports to China and vulnerability to higher energy prices.

Global equity markets have been strong this year but continued to moderate last month as rates continue to rise. The key question is now when do rates fall, perhaps not for a while. A key supporting factor for higher rates is the need to constantly refinance higher COVID era debt in addition to Government deficits. Commodity prices are strong, especially energy but risks are rising for commodities reliant on (weaker) Chinese growth.

Australian consumers and businesses continue to be surprisingly resilient. Higher interest rates are a burden for mortgage holders but a stimulus for asset owners. The latter group show little restraint in spending, making it more difficult for the RBA to manage inflation. The former also have additional pressures including other cost-of-living challenges. Decades of poor energy policy in Australia are coming home to roost with very large recent electricity and gas price increases. The Australian energy market has few answers to the global challenges of replacing fossil fuels (with renewables?). Did someone say nuclear?

Overall we remain a little wary. A weakening China is not good for the Australian economy, suggesting higher risk for companies that have significant debt or any need to use the equity markets fund themselves. We also continue to be very selective regarding investments in the resources sector by avoiding or reducing exposures than have reliance on China stimulus or are overly exposed to new project capex inflation.

Eiger Capital team

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