# Eiger Australian Small Companies Fund

## October 2022

## Fund Performance[1]

**Eiger Australian Small Companies Fund Performance (net of fees) as at 31 October 2022**

| | 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) | 8.9 | 5.2 | -17.3 | 9.2 | 8.7 | - | - | 10.8 |
| S&P/ASX Small Ordinaries Accumulation Index | 6.5 | -4.9 | -18.3 | 3.4 | 1.5 | - | - | 3.3 |
| **Active return** | **2.4** | **10.1** | **1.0** | **5.8** | **7.2** | **-** | **-** | **7.5** |

## Track Record of Investment Strategy

**Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 October 2022**

| | 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) | 8.9 | 5.2 | -17.3 | 9.2 | 8.7 | 9.5 | 11.8 | 9.3 |
| S&P/ASX Small Ordinaries Accumulation Index | 6.5 | -4.9 | -18.3 | 3.4 | 1.5 | 4.2 | 5.1 | 2.8 |
| **Active return** | **2.4** | **10.1** | **1.0** | **5.8** | **7.2** | **5.3** | **6.7** | **6.5** |

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. Past performance figures that are less than 12 months are for informational purposes only and are not to be relied upon when considering the likely performance of the Fund.
Source: Fidante Partners Limited, 31 October 2022.

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 October 2022.

## 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 | $362.6M |
| 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.

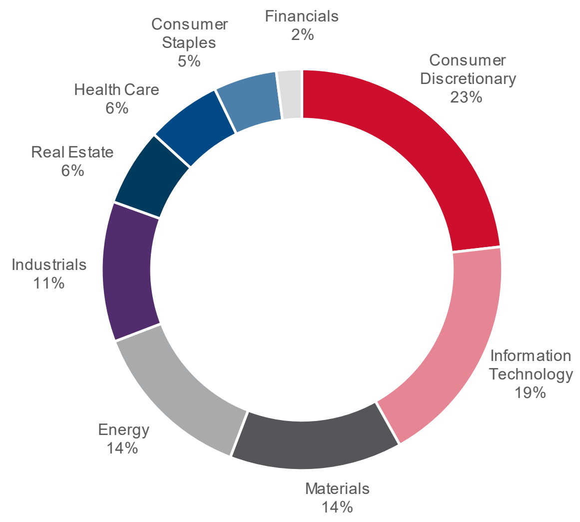
### Disciplined and proven process

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 |
| Pilbara Minerals |
| Technology One |

| Stock attribution (alphabetical) | |
|---|---|
| **Contributors** | |
| Dominos | Weak in prior month |
| Life360 | Price rises |
| Nitro Software | Received takeover bids |
| **Detractors** | |
| Calix | Withdrawal of previously announced Govt funding |
| Integral Diagnostics | No news |
| NextDC | Delays on customer announcements |

| 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 6.5% for the month. The Eiger Australian Small Companies Fund outperformed the market and returned 8.9% over the same period.

## Market overview

The S&P/ASX Small Ordinaries Index (XSO) was up 6.5% during October. The Small Industrials increased by 7.4%, while the Small Resources increased by 3.8%. The XSO finished the month on a 2yr forecast P/E ratio of 13.0x which is 23.5% below its 5-year average. This valuation is a 1.7% discount to the ASX200.

The best performing sectors in October were: Biotechnology (17.4%), Metals & Mining - Critical Minerals (12.8%), REITs (12.2%), and Infrastructure & Utilities (11.9%). The worst performing sectors during the month were Metals & Mining - Base & Industrial Metals (-6.8%), Commercial Services (0.5%), Metals & Mining - Steel (0.6%), and Metals & Mining - Precious (1.2%).

The best performing stocks within the XSO Index were Polynovo (PNV 53.9%), Novonix (NVX 52.3%), Telix Pharmaceuticals (TLX 46.5%), and Syrah Resources (SYR 45.7%). Polynovo provided better than expected 1Q sales, Novonix received a US$150m funding grant from the US Government, Telix gave several updates relating to drug trials and drug registration progress, whilst Syrah announced it would resume operations at it's Mozambique mine after prolonged strikes.

The worst performing stocks within the XSO Index were EML Payments (-49.4%), Aurelia Metals (AMI -47.5%), Codan (CDA -31.8%), St. Barbara (SBM -31.1%). EML Payments fell on further regulatory concerns. EML Payments agreed to restrict new lines of business in the near term. Aurelia Metals released an underwhelming project update and lower near term guidance. Codan lowered guidance whilst St. Barbara reported lower production and higher costs.

## Market outlook

World markets continue to be concerned about weakening growth and ever-increasing concerns around inflation. It appears to us that more and more some financial markets are struggling to function. Spreads in many credit markets have widened materially. Central banks are now in an unenvious position. They need to stamp out a worldwide inflation outbreak while growth is weakening, and geopolitical risk is very high. We continue to monitor the risk of recession closely and now believe that it is far more likely than not in most countries.

The cost of energy has risen significantly over the last 12 months. In addition, the ability of China to supply the world with a just-in-time supply on a huge range of consumer and intermediate goods had already been impacted by high shipping costs and persistent COVID lockdowns in China. Inflationary impacts will need to unwind quickly from now to avoid an inflation/wage cost spiral. Particularly as Northern Hemisphere winter power bills are about to rise significantly.

During the first six months of this year equity markets compressed the premium valuation of growth and tech stocks. Tech stocks, which often have no earnings, have been hit particularly hard as interest rates have risen. We believe the focus of equity markets has now shifted to who can manage cost pressures - whether a company is viewed as low growth, high growth, or loss-making tech.

We remain very wary as we believe that general economic conditions continue to deteriorate. We believe that in general investors should avoid companies that are likely to need to refinance significant debt or rely heavily on debt or equity markets to fund projects.

## Eiger Capital team

**Stephen Wood**
Principal and Portfolio Manager

**Victor Gomes**
Principal and Portfolio Manager

**David Haddad**
Principal and Portfolio Manager

**Alison Dalziell**
Portfolio Manager

**Nick Bucher**
Analyst

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