Eiger Australian Small Companies Fund

December 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 December 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)	-5.2	-1.5	8.1	7.3	-3.6	7.1	-	8.6
S&P/ASX Small Ordinaries Accumulation Index	-3.1	-1.0	8.4	8.1	-1.6	4.0	-	5.0
Active return	**-2.1**	**-0.5**	**-0.3**	**-0.8**	**-2.0**	**3.1**	**-**	**3.6**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 December 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)	-5.2	-1.5	8.1	7.3	-3.6	7.1	10.6	8.6
S&P/ASX Small Ordinaries Accumulation Index	-3.1	-1.0	8.4	8.1	-1.6	4.0	7.3	3.6
Active return	**-2.1**	**-0.5**	**-0.3**	**-0.8**	**-2.0**	**3.1**	**3.3**	**5.0**

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, 3 December 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 December 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	$332.5M
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.

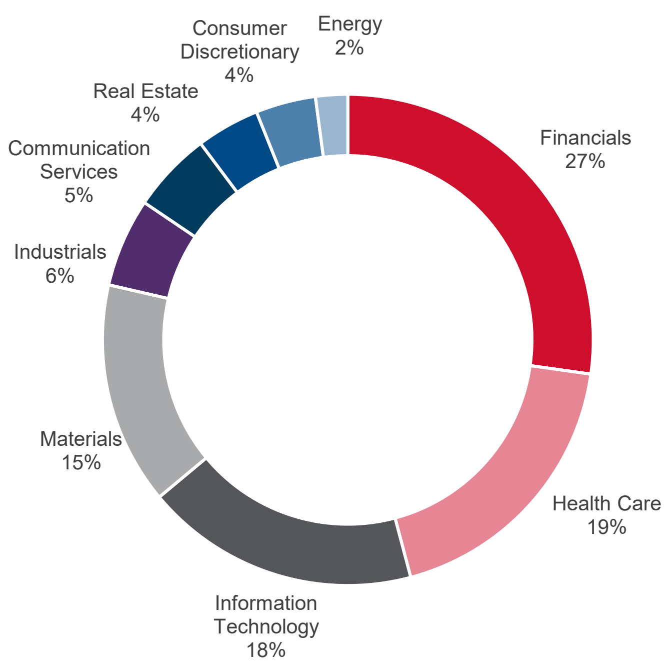
Stock attribution (alphabetical)

Contributors	
Life360	Positive 3Q update
Technology One	Positive FY25 result
Telix Pharmaceuticals	Improved payments approved in US

Detractors	
Audinate	Disappointing 1Q trading update
Clarity Pharmaceuticals	No news
Mesoblast	FDA approval (not owned)

Top 3 active positions (alphabetical)
Infratil
Technology One
Telix Pharmaceuticals

Asset allocation	Actual %	Range %
Security	90.8	90-100%
Cash	9.2	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 returned -1.0% for the quarter. The fund underperformed the market and returned -1.5% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) decreased by 1% during the quarter. The Small Industrials decreased by 0.4%, while the Small Resources decreased by 2.7%. The XSO finished the month on a 2yr forecast P/E ratio of 18.3x which is 5.7% above its 5-year average. This valuation is a 4.2% premium to the ASX200.

The best performing sectors for the quarter were Banks (+21.5%), Asset Management (+14.7%), Infrastructure & Utilities (+14.0%) and Wholesale, Distribution & Manufacturing (+9.8%). The worst performing sectors for the quarter were Metals & Mining - Steel (-19.5%), Consumer Discretionary & Leisure (-13.2%), Agricultural Products (-9.5%) and Building & Construction Products (-8.1%).

The best performing stocks within the XSO Index during the quarter were Mesoblast (MSB +166.0%), Arcadium Lithium (LTM +93.4%), Weebit Nano (WBT +89.0%) and Sigma Healthcare (SIG +82.6%). Mesoblast announced that it has received approval for Ryoncil, which is a stem cell treatment for rejection post a bone marrow transplant. While the market for this treatment is small there is the possibility that Mesoblast's technology will have wider applications in the future. Early in October Arcadium Lithium received a full cash takeover offer from Rio Tinto. This came after a sustained period of weakness caused by very weak lithium commodity prices. Weebit's share price responded positively to its 1Q FY25 activities report. The company noted continued progress toward commercialisation of its ReRAM chip technology. The company had $57m in cash at that point. On 1 October Sigma announced a positive update in its discussions with the ACCC regarding its merger with Chemist Warehouse. Later in the quarter the merger was cleared by the ACCC.

The worst performing stocks in the XSO index were Clarity Pharma (CU6 -50.2%), Resolute Mining (RSG -46.6%), DroneShield (DRO -43.7%), and WEB Travel (WEB -37.6%). CU6 appears to have a very prospective radio-pharma technology for prostate cancer. During the quarter it announced additional trial updates. However, the path to success for Clarity is long and the market is likely to go through many phases of optimism and pessimism along the way. The June and September quarters were very optimistic. The December quarter very pessimistic. Resolute with the Govt of Mali which included executives being detained and fines paid. All actions were disputed. DroneShield announced repeat orders from both a European Govt agency and the US Government. It also announced September quarterly cash burn of just over $20m. The market did not like the combination of all 3. WEB Travel updated the market post its demerger with Webjet. The update was disappointing; notably around gross margin decline.

Market outlook

Post the US election, US markets rallied with the S&P 500 climbing 5.8%, the Nasdaq Composite also closing 5.8% higher while the S&P/ASX 200 rose by a more modest 3.7%. The Russell 2000 surged 10% in the month, notching the biggest monthly gain in a year, as the group has the potential to benefit from Trump tax cuts and tariffs. However, post the December 18 commentary from the US Federal Reserve (discussed below) this bounce has tempered. As we head closer towards a Trump presidency, news has been dominated by early threats to instil hefty tariffs on Mexico and Canada and the BRICS nations.

The US Federal Reserve followed the 50-bps cut in September, a 25-bps cut in November and another 25-bps cut in December. However, the December rate cut came with a hawkish tone and projected fewer reductions in 2025. In most countries, inflation is now hovering close to central bank targets, paving the way for monetary easing across major central banks.

In China, the property market remains the biggest drag to growth with the downturn worsening as new home prices fell in September at the fastest pace in almost a decade. In early November, China announced that ten trillion yuan ($1.4 trillion) would be used to tackle local government debt through a debt swap, a clear departure from the all-out direct stimulus strategies used to revive growth in the past and potentially left more optimistic investors disappointed. It felt like a one-day resources rally.

Australia remains a laggard in the global battle to beat inflation, with the IMF forecasting inflation to be higher than most foreign peers. We are witnessing the beginning of pre-election stimulus; notably the cancellation of 20% of outstanding student debt, the intention to boost childcare subsidies and possibly an extension to the power bill subsidies. The Reserve Bank of Australia ('RBA') will be looking to balance this additional stimulus and unemployment at a low 4.1% (one of the lowest jobless rates globally) with signs that employment strength and immigration are cooling.

Impending Trump tariffs and the risk of a full-blown trade war could impact certain stocks within our universe, and we remain mindful of these dynamics at play. In equities, we still anticipate that longer duration compound growth assets will be the better performers as rates decline (or have at least peaked in the case of Australia) and into a weakening growth outlook across several geographies. As such, we continue to hold long duration growth assets with structural growth to deliver returns.

Eiger Capital team

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