Eiger Australian Small Companies Fund

July 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 July 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)	2.6	2.5	7.0	7.9	-0.8	7.3	-	9.2
S&P/ASX Small Ordinaries Accumulation Index	3.5	2.0	9.3	4.9	-0.6	3.5	-	5.0
Active return	**-0.9**	**0.5**	**-2.3**	**3.0**	**-0.2**	**3.8**	**-**	**4.2**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 July 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)	2.6	2.5	7.0	7.9	-0.8	7.3	10.3	8.9
S&P/ASX Small Ordinaries Accumulation Index	3.5	2.0	9.3	4.9	-0.6	3.5	6.3	3.6
Active return	**-0.9**	**0.5**	**-2.3**	**3.0**	**-0.2**	**3.8**	**4.0**	**5.3**

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 July 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 July 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	$394.3M
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)

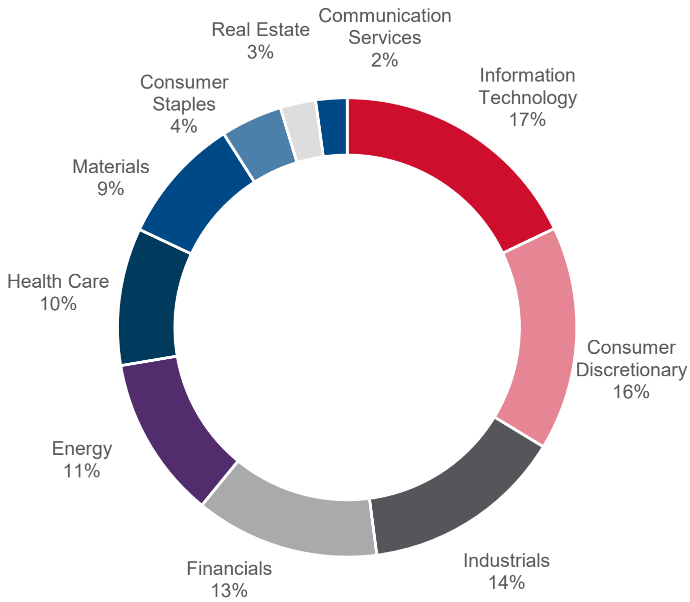
Contributors	
Elders	Ongoing rain
Ryman Healthcare	Takeover of competitor
Technology One	Positive strategy day

Detractors	
Auckland International Airport	Regulatory review ongoing
Bellevue Gold	Capital raising
NextDC	Strong in prior months

Top 3 active positions (alphabetical)

- Life360
- NextDC
- Technology One

Asset allocation	Actual %	Range %
Security	96.3	90-100%
Cash	3.7	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 increased 3.5% 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 3.5% during the month. The Small Industrials increased by 5.1%, while the Small Resources declined by 0.9%. The XSO finished the month on a 2yr forecast P/E ratio of 16.5x which is 4.7% below its 5-year average. This valuation is a 5.2% premium to the ASX200.

The best performing sectors for the month were Retail (+10.1%), Financial Services (+9.7%), Asset Management (+9.1%), and Agricultural Products (8.8%). The worst performing sectors were Industrial Metals (-7.8%), Aged Living (-6.2%), Biotechnology (-5.3%), and Energy (-4.5%).

The best performing stocks within the XSO Index were IRESS (IRE +32.0%), ZIP (ZIP +31.0%), Resolute Mining (RSG +25.0%) and Vulcan Energy (VUL +21.5%). IRESS increased adjusted Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) guidance for calendar 2024. ZIP concluded a capital raising to repay expensive debt which was earnings accretive. The company also announced a positive earnings update. Resolute Mining announced 1HFY24 EBITDA that was 15% higher than the prior comparable period. Vulcan Energy rebounded from very weak trading in June and received a small cash injection from CIMIC and Hancock Prospecting.

The worst performing stocks in the XSO index were Meteoric Resources (MEI -35.5%), Calix (CLX -28.9%), Strike Energy (STX -28.6%), and Lifestyle Communities (LIC -27.6%). Meteoric Resources announced the scoping study for its rare earth project in Brazil. It subsequently announced a capital raising. In a period of weak rare earth commodity prices both announcements impacted the stock price negatively. Calix made 2 positive announcements during the month regarding Government grants and an update on its progress with Heirloom in Louisiana. However, the market took both announcements negatively and possibly as sign of the long gestation period for Calix technology to be deployed at an industrial scale. Strike Energy confirmed that a supply agreement with Wesfarmers was to revert to original terms following a delayed final investment decision on West Erregulla. Lifestyle Communities was the subject of a claim by residents to the Victorian Civil and Administrative Tribunal regarding their ownership rights. The claim, that the company views as without merit, was highlighted by a negative story on the ABC 7.30 report. The Company subsequently withdrew near term settlement guidance noting that sales could be impacted.

Market outlook

Following a buoyant June, markets continued to rally into July with a substantial chunk of the gains realised on the last day of July (c.60% of the gains for the Small Ordinaries). This rally reflected Federal Reserve Chair Jerome Powell's remarks that rate cuts for the US "could be" on the table as early as September. The core Personal Consumption Expenditures (PCE) inflation gauge for the US economy was unchanged from last month at 2.6% in June 2024 with the trend reflecting continued moderation and a potential soft landing / disinflation scenario playing out. In Australia, we are lagging the disinflation dynamic apparent in global markets with trimmed mean inflation still high but falling to 3.9% for the June quarter from 4.0% in the March quarter.

It would be remiss to not mention the swift reversal into August with markets posting a steep correction in the first couple of days. The US Jobs Report released on 2nd of August reflected a disappointing 114,000 jobs relative to an expected 175,000 with US unemployment rising from 4.1% in June to 4.3% in July. It is important to note that US unemployment, whilst rising, is still well below average. Regardless, fears that the US Federal Reserve (the Fed) has been too slow to respond to signs of a weakening economy have started to play out with the 125bps of rate cuts priced in by year end (prior to the US Jobs Report the market expected 75bps).

The unwind of the Yen carry trade has added to the volatility in global markets. Traders have taken advantage of Japan's low interest rates to borrow in Yen (effectively free money) and buy risky assets across the world. As the Yen has strengthened post the Bank of Japan raising the key interest rate by 25bps and the US dollar weakening on the expectation of rate cuts, there has been an exodus of global investors from this trade to mitigate their Yen liability. To unwind this trade, it has meant traders are liquidating their global equity positions to repay the liability, adding to the downturn.

It is difficult to ascertain which way markets move into the coming weeks and months given the volatile impact of high frequency data, which currently reflect a weaker outlook, although not a severe downturn. 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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