Eiger Australian Small Companies Fund

October 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 31 October 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)	-0.1	1.7	15.6	6.2	-2.3	7.7	-	9.1
S&P/ASX Small Ordinaries Accumulation Index	0.8	3.8	26.6	9.6	-0.6	4.7	-	5.5
Active return	**-0.9**	**-2.1**	**-11.0**	**-3.4**	**-1.7**	**3.0**	**-**	**3.6**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 31 October 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)	-0.1	1.7	15.6	6.2	-2.3	7.7	10.6	8.8
S&P/ASX Small Ordinaries Accumulation Index	0.8	3.8	26.6	9.6	-0.6	4.7	7.1	3.8
Active return	**-0.9**	**-2.1**	**-11.0**	**-3.4**	**-1.7**	**3.0**	**3.5**	**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, 31 October 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 October 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	$355.3M
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.

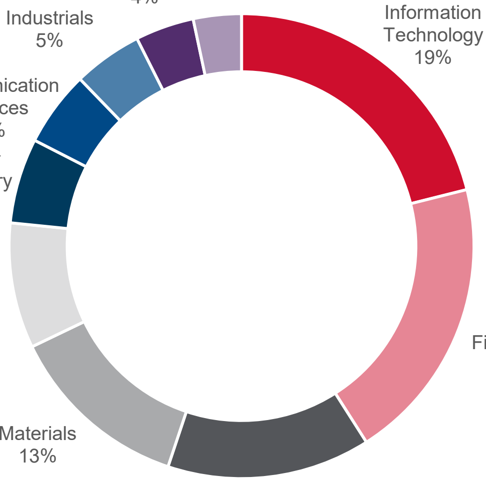
Stock attribution (alphabetical)

Contributors	
Bellevue Gold	Guidance on track
Life360	Steady MAU growth
Ryman Healthcare	New Zealand rate cut

Detractors	
Arcadium Lithium	Rio Tinto cash offer received
Clarity Pharmaceuticals	Marketwide profit taking
WEB Travel	Downgraded margin guidance

Top 3 active positions (alphabetical)
CAR
Life360
Technology One

Asset allocation	Actual %	Range %
Security	91.2	90-100%
Cash	8.8	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 0.8% for the month. The fund underperformed the market and declined 0.1% over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased 0.8% during the month. The Small Industrials declined by 1.1%, while the Small Resources increased by 6.1%. The XSO finished the month on a 2yr forecast P/E ratio of 18.6x which is 7.6% above its 5-year average. This valuation is a 5.1% premium to the ASX200.

The best performing sectors for the month were Critical Minerals Metals & Mining (+24.1%), Real Estate Management & Development (+17.8%), Precious Metals & Mining (+14.1%) and Asset Management (+9.5%). The worst performing sectors were Steel Metals & Mining (-15.8%), Consumer Discretionary (-14.5%), Automotive (-8.9%), and Biotechnology (-8.8%).

The best performing stocks within the XSO Index were Arcadium Lithium (LTM +94.1%), Sigma Healthcare (SIG +36.6%), Regis Resources (RRL +32.8%) and Adairs (ADH +28.5%). Arcadium received an all-cash offer from Rio Tinto with the deal expected to close by mid-2025. Sigma's proposed merger with Chemist Warehouse appears to be more certain as the Australian Competition and Consumer Commission (ACCC) has requested market feedback on the undertaking Sigma has proposed to address matters in the ACCC's Statement of Issues. Regis Resources announced they are no longer considering a development of the A$1billion McPhillamys gold project, a positive development given that the cash can be used for dividends, share buybacks, growing existing operations and debt repayments. Adairs reported a strong trading update, reflecting a +4.8% lift in group sales for the first 16 weeks of FY25 with a significant acceleration in the last eight weeks.

The worst performing stocks in the XSO index were WEB Travel (WEB -45.2%), OFX Group (OFX -32.4%), DroneShield (DRO -30.0%), and Webjet (WJL -22.5%). WEB Travel delivered a disappointing preliminary result update and rebased margin guidance for the third time in 2024. OFX provided an unexpected trading update and revised guidance downwards following a sharp fall in revenues in August and September. Droneshield's third quarter update revealed that year to date revenue is down 20%, with the revenue decline attributable to the delivery of a material order in the prior corresponding period. Webjet, an online travel agent, was demerged from WEB Travel and subsequently sold down as investors realigned their portfolios.

Market outlook

Equities eased through October with the MSCI Developed Markets Index and the S&P500 declining by 0.9% while the S&P/ASX200 declined 1.3%. US yields stepped up 50bps to 4.28%, with the Australian 10-year government bond yield rising in tandem by 53bps. The spike in bond yields is largely driven by investor fears pertaining to post-election US government spending which could greatly increase America's deficits and debt and further stoke inflation. Commodity prices were mixed through the month with broad based buying of gold pushing prices close to US$2,800 per ounce.

US elections are in focus as Americans head to the polls on the 5th of November with early ballots reflecting support for both candidates across battleground states is within a margin of error. US hiring advanced at the slowest pace since 2020 in October (distorted by hurricane activity and a major strike) while the unemployment rate remained low at 4.1%. The Federal Reserve and many developed-world peers are widely expected to lower interest rates again in the coming week, right after a US presidential election that may not be decided yet. US policymakers have already communicated a desire to proceed with a more gradual pace of rate cuts after September's half-point reduction. A 25-basis point move is widely expected by the market early in November.

On the domestic front, the Reserve Bank of Australia ('RBA') is expected to keep rates on hold again in a decision this week. Investors increasingly expect the Reserve Bank might not start cutting interest rates until next May. Annual headline inflation tumbled to 2.8% in the three months to September from 3.8% in the June quarter, distorted by the temporary electricity bill rebates from the federal and state government. Underlying inflation remains well above the RBA's 2 to 3 per cent target band at 3.5%.

China's current stimulus plan is still unfolding. In late September, monetary easing was announced by the People's Bank of China (PBOC) while the fiscal plan still lacked detail. The Ministry of Finance has unveiled how the upcoming fiscal package will be used but the size of the package will only be decided and approved in early November when China's Parliament, the standing committee of National People's Congress, wrap up a five-day meeting. China will remain in focus, and the implementation of recently announced stimulus programs and potentially further measures, as a key driver to Aussie resources.

Markets remain volatile with several key events and outcomes set to take place in the coming weeks. Globally a weaker economic outlook is playing out, 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. As such, we continue to hold long duration growth assets with structural growth to deliver returns.

Eiger Capital team

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