Eiger Australian Small Companies Fund

September 2024

Fund Performance[1]

Eiger Australian Small Companies Fund Performance (net of fees) as at 30 September 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)	4.0	4.6	9.5	10.9	-2.4	7.9	-	9.3
S&P/ASX Small Ordinaries Accumulation Index	5.1	6.5	18.8	12.7	-0.6	4.4	-	5.4
Active return	**-1.1**	**-1.9**	**-9.3**	**-1.8**	**-1.8**	**3.5**	**-**	**3.9**

Track Record of Investment Strategy

Historical performance of the investment strategy applicable to the Fund[3] (net of fees) as at 30 September 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)	4.0	4.6	9.5	10.9	-2.4	7.9	10.8	8.9
S&P/ASX Small Ordinaries Accumulation Index	5.1	6.5	18.8	12.7	-0.6	4.4	7.0	3.8
Active return	**-1.1**	**-1.9**	**-9.3**	**-1.8**	**-1.8**	**3.5**	**3.8**	**5.1**

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 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, 30 September 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	$355.7M
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.

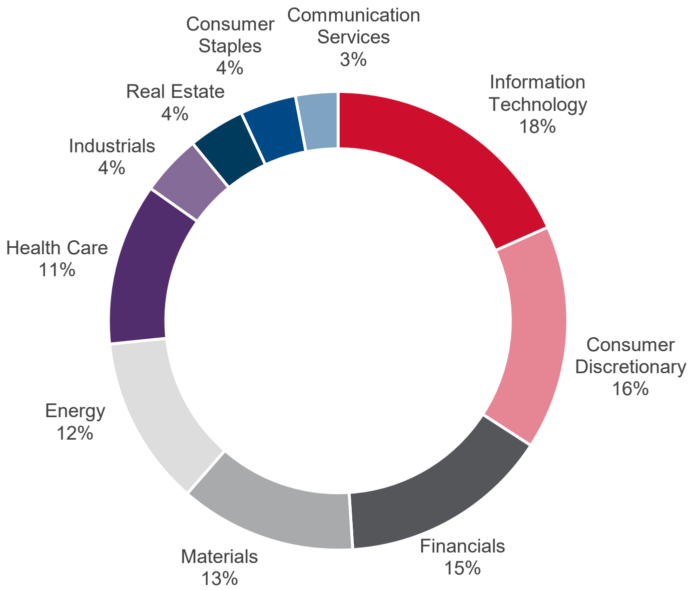
Stock attribution (alphabetical)

Contributors	
Clarity Pharmaceuticals	Positive early trial results
Technology One	Positive Investor day
Zip Co	Strong two year guidance

Detractors	
Audinate	Guidance for a transitional year ahead
Bellevue Gold	Capital raise
Johns Lyng Group	US growth disappointed

Top 3 active positions (alphabetical)
Life360
Lynas Rare Earths
Technology One

Asset allocation	Actual %	Range %
Security	96.7	90-100%
Cash	3.3	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 +6.5% for the quarter. The fund underperformed the market and returned +4.6% (net) over the same period.

Market overview

The S&P/ASX Small Ordinaries Index (XSO) increased by 6.5% during the quarter. The Small Industrials increased by 7.5%, while the Small Resources increased by 3.9%. The XSO finished the month on a 2yr forecast Price-Earnings (P/E) ratio of 19.1x which is 10.3% above its 5-year average. This valuation is a 4.5% premium to the ASX200.

The best performing sectors for the quarter were Financial Services (+20.8%), Retail (+20.3%), Asset Management (+17.1%) and Real Estate Management & Development (+16.9%). The worst performing sectors for the quarter were Biotechnology (-18.1%), Consumer Discretionary (-13.8%), Energy (-9.5%) and Industrial Technology (-9.2%).

The best performing stocks within the XSO Index during the quarter were Zip (ZIP +88.4%), Cettire (CTT +59.4%), ioneer (INR +53.3%), and Australian Clinical Labs (ACL +50.2%). Zip delivered a strong full year result and aims to improve margins as the company looks to further expand its reach in the US. Cettire, which lost 71% in the prior quarter on the back of a weak trading update and a depressed luxury market, rallied once its annual financial report was signed off by its auditors after a discrepancy over revenue recognition. Ioneer received a Final Environment Impact Statement for their Lithium-Boron Project, Rhyolite Ridge, advancing them towards commencing construction. Australian Clinical Labs, provider of pathology services, indicated the shortfall on pre-COVID pathology volumes was reducing with expectations that volumes will return to trend over time.

The worst performing stocks in the XSO index were Star Entertainment (SGR -39.8%), Grange Resources (GRR -39.1%), Audinate (AD8 -38.2%), and Megaport (MP1 -34.8%). Star Entertainment resumed trading following the lift of a near monthlong suspension and slid to a fresh low as investors fled the embattled casino operator. Grange Resources delivered a poor interim update in August with revenue down 16% and profit after tax down 62% and was removed from the S&P/ASX300 in September. Audinate disappointed in their market guidance for FY25 as they noted it will be a transitional year with the impact of post-Covid normalisation on sales and the transition from a hardware to a software offering. Megaport, a provider of software-defined networking, delivered muted momentum in key operating metrics and a disappointing FY25 guidance statement.

Market outlook

Australian Equities rallied 3.0% in September, finishing the quarter up 7.8%, supported by China's surprise stimulus announcements and the start of the US Federal Reserve's (Fed's) easing cycle. China equities were the standout at +23.3% in September. The S&P500 lagged slightly with a 2.0% gain for the month, up 19.7% so far this year.

China has reared back into focus with several announcements over September, most notably from the People's Bank of China (PBOC), with policies reducing the down payment requirement for second mortgages from 25% to 15%, requesting banks to lower interest rates on existing mortgages by 50bps, cutting the 7-day reverse Repurchase Agreement (REPO) rate by 20bps and the RRR by 50bps, the release of RMB1trn of liquidity into the banking system and the mention of room for further cuts. The monetary easing and housing policy reforms signal a renewed effort by China's leadership to support the economy, but they seem unlikely to reverse the structural economic slowdown. China will remain in focus, and the implementation of recently announced stimulus programs and potentially further measures, as a key driver to Aussie resources.

The Fed cut rates by 50bps, with Powell reiterating that the Federal Open Market Committee's (FOMC's) base case would be two 25bp rate cuts at each of the remaining two FOMC meetings of the year. A key focus will be further US labour market data which has trended weaker in the last few months and the extent that impacts the Fed's rate cutting cycle. It is important to note that US unemployment, whilst rising, is still well below average and in August the unemployment rate reduced to 4.2% from 4.3% in July.

On the domestic front, the Reserve Bank of Australia (RBA) held rates as expected. The unemployment rate held at 4.2%, still resilient. Australia's headline inflation rate fell to its lowest level in almost three years, coming in at 2.7% for the year to August (compared to the 3.5% rise in CPI in July). The August inflation figure is distorted by the fall in electricity prices on the back of several government-initiated electricity rebates at a national and state level and hence cannot be viewed to reflect inflation moving in the right direction. Economists expect the RBA to deliver its first post-pandemic interest rate cut in February 2025.

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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