

## 8iP Small Companies Fund

We focus on growing your wealth through core and high conviction small companies

### FUND SNAPSHOT

The 8iP Australian Small Companies Fund ("Fund") provides diversified exposure to small companies.

The Fund aims to deliver outperformance above the S&P/ASX Small Ordinaries Accumulation Index with a diversified portfolio of equities within the Australian small companies segment.

**The Fund is rated Recommended by Lonsec Research - please contact 8iP for more information.**

### OUTLOOK

The broad based sell off which commenced in February continued into March. Governments enacted draconian restrictions in response to Coronavirus and global markets sold down hard. Our benchmark troughed at -33.1%, before limping to -22.4% at month's end. The Fund was down -29.1%.

Among our holdings, several stocks were hit hard as a result of government measures – retailers and other consumer-facing businesses forbidden to open stores (*Retail Food Group Ltd (RFG)*, -55.4%; *Redcape Hotel Group (RDC)*, -43.1%; *City Chic Collective Ltd (CCX)*, -42.4%; *Viva Leisure Ltd (VVA)*, -60.8%; *Lovisa Holdings Ltd (LOV)*, -48.6%); service providers unable to transact (*EML Payments Ltd (EML)* -36.4%); businesses selling services to people at risk of unemployment (*Credit Corp Ltd (CCP)*, -50.7%; *Eclix Group Ltd (ECX)* -53.1%). Note a number of these stocks had been amongst our best performers last year (*CCX*, *EML*, *CCP*, *ECX*); i.e., quality was no defence. Others would normally be defined as defensive (*RFG*, *RDC*, for example), but nothing is defensive when revenues go to zero.

After a crash, commentators always disagree violently about the depth/ duration of the slowdown, and the timing/speed of the recovery. It's impossible to know who's right and who's wrong. Cool heads are required; it won't be as bad as the doomsayers say, and it won't be as smooth as you'd hope. The best way through is to manage the downside risks in your portfolio whilst optimizing the potential to outperform when the upside comes. To do that we have done four things. First, we have recut the way we think about companies,

### KEY FACTS

<b>Inception Date</b>	Current Portfolio Team commenced 1/10/2012
<b>No of Stock Holdings</b>	52
<b>Fund Size</b>	\$7.8m
<b>Liquidity</b>	Daily
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index.
<b>Domicile &amp; Status</b>	Registered Managed Investment Scheme domiciled in Australia
<b>Base Currency</b>	Australian dollars
<b>Distributions</b>	Paid annually, shortly after 30 June; reinvested unless otherwise instructed
<b>Unit Prices at 31/03/2020</b>	Buy Price: \$0.7294 Sell Price: \$0.7236

### PERFORMANCE

\$100,000 Invested On 1/10/2012

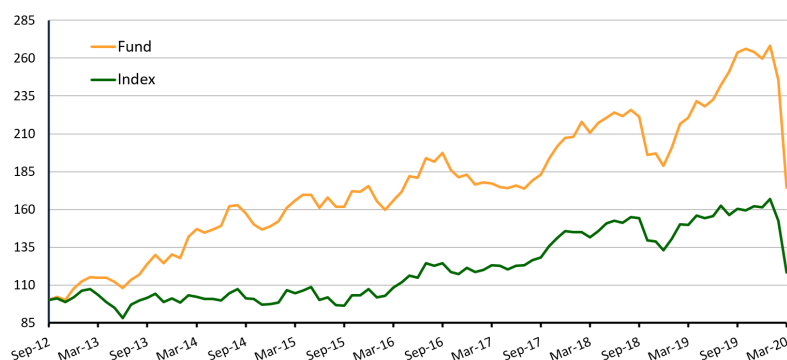


Chart Footnotes: Returns sourced from 8iP and S&P/ASX as on 31/03/2020 in Australian dollars. Fund returns are gross returns.

\*The inception date is the date that Kerry Series took responsibility for investing this Fund.

### DISTRIBUTIONS (LAST 5 YEARS)

Date	Cents per unit
30/06/2019	8.24c
30/06/2018	11.24c
30/06/2017	5.00c
30/06/2016	0.79c
30/06/2015	4.9145c

8iP Small Companies Fund vs Benchmark	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
8iP Small Companies Fund (gross of fees)	-29.02%	-32.82%	-33.92%	-20.97%	-0.51%	+1.00%	+7.68%
S&P/ASX Small Ordinaries Accumulation Index	-22.38%	-26.72%	-26.17%	-21.01%	-1.33%	+2.52%	+2.27%
Active Return (gross of fees)	-6.64%	-6.10%	-7.75%	+0.04%	+0.82%	-1.52%	+5.41%
8iP Small Companies Fund (net of fees)	-29.14%	-33.07%	-34.36%	-21.95%	-1.80%	-0.30%	+5.72%

Past performance is not an indicator of future performance. All returns are shown to two decimal places. Returns for periods of more than one year are annualised. Total returns include realised and unrealised gains and losses plus income and are time-weighted rates of return that adjust for external cash flows. Valuations are computed and performance reported in Australian dollars. Gross-of-fees performance returns are presented before management and performance fees but after all trading expenses. Net-of-fees performance returns are presented after management and performance fees.

focussing on those whose revenue will benefit from lockdowns; those who can control their costs; those with an ability to avoid a working capital squeeze and those with low or zero reliance on debt. Second, we are on the lookout for good companies we liked in the past, but which were too expensive to buy; we are taking the opportunity to buy some of these now and raise the overall quality of our holdings. Third, we have bought gold as a hedge against inflation as well as against the raft of social, economic and political risks likely to come from this situation in the near and medium term. Fourth, as the impacts of the slowdown are yet to be felt and the path to recovery is unclear, conviction about earnings delivery is harder, and so we hold more stocks at lower weights.

Importantly, we have not changed our process. Our universe of stars, turnarounds and under-researched stocks remains the same.

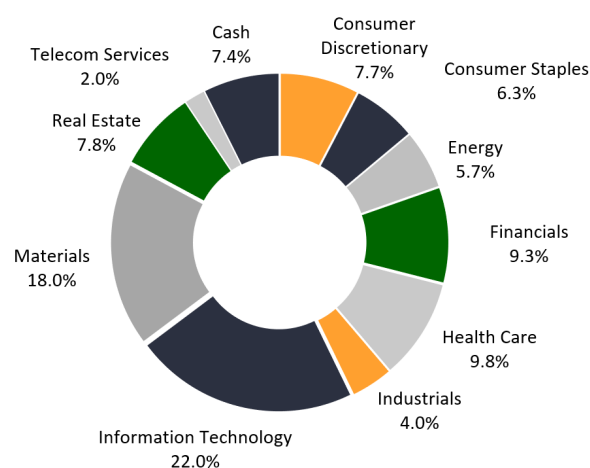
At the end of the month the portfolio was cautiously positioned for markets to continue to rebound. Governments had put enormous stimulus in place to forestall panic about financial system stability. We expected case numbers globally to decline, accompanied by more frequent news about the expansion of testing capabilities and vaccine development. We expected growing calls to loosen restrictions, and government to do so. Medium term, a return to the level of global growth seen in 2019 will take time. Persistent domestic restrictions and an extended ban on foreign travel will cap overall activity and drive different rates of recovery in different geographies. Whether all this inevitably drives a meaningful second leg down remains to be seen. Our base case is not yet for that to occur.

Our strategy is to stay “true to label”, which means sticking to the process which has delivered outperformance of +5.41% per annum for over seven years. We are focussed on finding great businesses with outstanding structural growth prospects, and on identifying the compelling turnaround opportunities which will inevitably arise from the current environment.

## TOP HOLDINGS

Top 5 Holdings	Portfolio Weight
Cooper Energy Limited	4.3%
IGO Limited	4.1%
Megaport Limited	4.1%
Saracen Mineral Holdings Ltd	3.8%
Fineos Corp	3.8%

## SECTOR ALLOCATION



Source: 8IP and Bloomberg.

Please note that 8IP may reallocate stocks' sector classifications where in 8IP's view it is appropriate to do so.

**ABOUT 8IP**

8IP employs a unique stock identification philosophy. We aim to identify and invest in three types of companies as follows:

- “Stars” - Companies facing large markets and possessing a market-leading multi-year competitive advantage;
- “Turnarounds” - Fundamentally good companies where something has gone wrong, but a significant catalyst for change is in place.
- “Under-researched” - Companies whose inherent value the market has failed to recognise.

**PORTFOLIO MANAGERS****STEPHEN WALSH**

**Chief Investment Officer**

Over more than 30 years in Australia and overseas, Stephen has held director level roles in equities research and investment banking at Macquarie, Wilson HTM and Credit Lyonnais. Stephen has also worked in senior strategy roles for LEK Consulting and Standard Chartered Bank.

**KERRY SERIES**

**Director**

Founder of 8IP, Kerry has more than 30 years of experience in equity markets. He previously held senior roles with AMP Capital where he was Head of Asia Pacific Equities and HSBC Asset Management where he was Investment Director. Kerry co-founded Perennial Investment Partners that grew to \$20 billion within 7 years.

**KEY FUND INFORMATION**

<b>Investment Manager:</b>	Eight Investment Partners Pty Ltd (8IP)
<b>Risk and Operations:</b>	Sanlam Private Wealth (Pty) Ltd. ABN: 18 136 960 775
<b>Responsible Entity:</b>	Equity Trustees Limited ABN: 46 004 031 298 AFSL: 240975
<b>Fund Regulator:</b>	Australian Securities and Investments Commission
<b>Fund Domicile:</b>	Australia
<b>Fund Administrator:</b>	Mainstream Fund Services
<b>Custodian:</b>	JP Morgan

**FUND IDENTIFIERS**

<b>APIR:</b>	FHT0012AU
<b>ARSN:</b>	143 454 013
<b>Bloomberg Ticker:</b>	EIPASMC AU
<b>Morningstar Ticker:</b>	16197

**FEES**

<b>Management Costs:</b>	1.20% p.a. including GST
<b>Performance Fee:</b>	20% over hurdle
<b>Minimum Investment:</b>	\$5,000
<b>Exit penalties:</b>	None

**IMPORTANT INFORMATION**

Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the 8IP Small Companies Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document has been prepared to provide you with general information only. In preparing this document, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should consider the Product Disclosure Statement (“PDS”) before making a decision about whether to invest in this product. The PDS can be obtained by visiting [www.eqt.com.au/insto](http://www.eqt.com.au/insto) or request a copy by calling the Investment Manager Eight Investment Partners Pty Ltd on +61 2 8274 2088 or emailing them at [enquiry@8ip.com.au](mailto:enquiry@8ip.com.au). Past performance is no indication of future performance.