

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.

Since inception* in October 2012, the fund has delivered outperformance of +5.98% pa (pre-fees) and +3.98% pa (net).

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

COMMENTARY AND OUTLOOK

Equity markets rallied in April, driven by coronavirus infection/ mortality rates which continuously improved, and by massive monetary and fiscal stimulus. The US S&P500 Index rose +12.7% in the month, totalling +30.2% since the bottom on 23rd March, but was still -9.9% below its level at 31st December 2019. Our benchmark recovered at a similar rate from the trough, but was -17.0% below 31st December 2019 – ie, -7.1% behind the US market. Not surprisingly, Australian small caps underperformed during the panic and are yet to regain lost ground.

We had positioned our holdings to beat a rising market in April, and commented last month on some of the changes we had made. The fund rose +18.5% in the month, +40.2% up since the bottom and well ahead of its index over both time frames. Top performers were Atomo (AT1, +140.0%), Temple and Webster (TPW, +68.1%), Viva Leisure (VVA, +108.5%), and Whispir (WSP,

PERFORMANCE

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

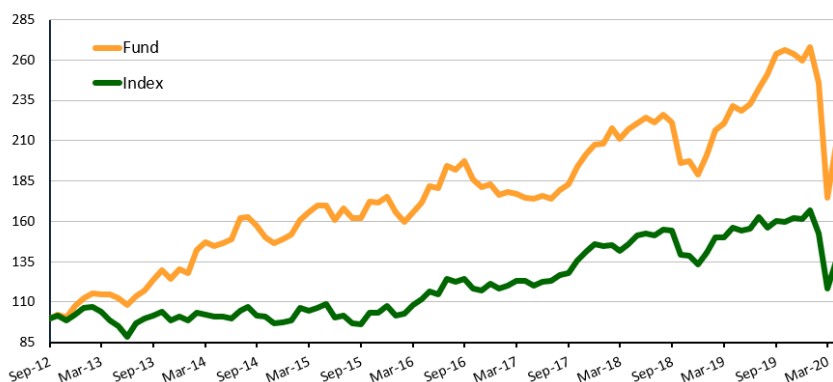


Chart Footnotes: Returns sourced from 8iP and S&P/ASX as on 30/04/2020 in Australian dollars. Fund returns are gross returns.
*The inception date is the date that current management took responsibility for investing this Fund.

KEY FACTS

Inception Date	Current Portfolio Team commenced 1/10/2012
No of Stock Holdings	58
Fund Size	\$9.2m
Liquidity	Daily
Benchmark	S&P/ASX Small Ordinaries Accumulation Index.
Domicile & Status	Registered Managed Investment Scheme domiciled in Australia
Base Currency	Australian dollars
Distributions	Paid annually, shortly after 30 June; reinvested unless otherwise instructed
Unit Prices at 30/04/2020	Buy Price: \$0.8638 Sell Price: \$0.8570

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)	+18.52%	-22.90%	-22.30%	-10.81%	+5.76%	+4.02%	+10.04%
S&P/ASX Small Ordinaries Accumulation Index	+14.27%	-19.00%	-15.20%	-13.31%	+3.25%	+4.95%	+4.06%
Active Return (gross of fees)	+4.25%	-3.90%	-7.10%	+2.50%	+2.51%	-0.93%	+5.98%
8iP Small Companies Fund (net of fees)	+18.43%	-23.16%	-22.81%	-11.90%	+4.40%	+2.70%	+8.04%

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.

+72.7%).

Of these, three were “economic beneficiaries”. Atomo is a medical device business producing “home test kits” with potential to be used to detect Covid antibodies in the blood. The company IPO’d in April. Temple & Webster’s sales rose dramatically as consumers staying at home and unable to visit the mall turned to online. Whispir’s core business is a platform which enables organisations to manage electronic communications to staff and stakeholders, with special applicability to emergency situations. It has seen strong uptake from government and enterprise since Covid.

Viva Leisure’s stock price rose 108.5%. This was representative of another broad trend, in which the oversold victims of the selldown bounced back. Management announced impressive cost reductions, and also that VVA will maintain some membership revenue even while the gyms are closed by giving members optional access to an online portal stocked with exercise videos. VVA’s net cash position combined with a low-cost operating model mean it is well placed to continue to consolidate the industry when the shutdown ends.

Our biggest detractors during the month were Cooper Energy (+1.2%), Equity Trustees (+2.4%) and Centuria Capital (-3.9%). Cooper’s Sole gas field is flowing, and the gas is good quality, but on-shore processor APA Limited is encountering ramp-up difficulties with its plant at Orbost. As we write, engineers from Shell who designed the process are on site investigating the problem. At this stage there is some uncertainty as to the timing and impact of the fix. Equity Trustees is a high quality company but relatively illiquid. We expect the stock to pick up in time. Centuria has a strong balance sheet and has confirmed FY20 guidance. Since Covid, however, real estate transactions have dried up and the share prices of fund managers such as Centuria have lagged. Their pipeline of transactions is on hold for now, but activity could pick up later this year if the environment normalizes.

While we were optimistic the market would bounce in April, May is less clear cut. The bounce back in April was exceptional and it is unlikely this will be repeated. Further, while the level of stimulus has been massive (by some estimates greater in dollar terms than the GDP likely to be lost), at some point markets have to ask whether current index levels are too high given the unknowns still to play out in coming months – in particular, the risk of a “second wave” which will feel much closer even as economies re-open, the risk of deteriorations in US- China political relations, and the risk that government support has somehow concealed the reality of high rates of unemployment which will recover slowly. All these before considering the longer-term structural risks to sovereign balance sheets caused by the sheer scale of money printing to date, the concomitant risk of rising inflation, and the potential for renewed instability in the Eurozone. Our view is these factors will weigh more heavily from here, and the pace of market recovery will slow.

While it is possible to identify these risks, it’s much harder to work out their potential impact and timing— never mind the risks we’ve missed. As such we’ve built in the ability to act nimbly. We’ve placed more value on liquidity than in stable times and are more heavily weighted towards those stocks which both meet our criteria and are index constituents. During April we were very active in the placement market and expect to see more opportunities in coming months. We are overweight gold, our “hedge against everything”, and expect to stay that way.

And yet fundamentally it is important to note how remarkably well Australia has fared when measured against other countries; and (ex- a second wave, in which case all bets are off) we think this will drive a gradual clawback of some of the relative value we mentioned as having been lost in the panic. As we write, US markets are down in May, while Australia’s are up. Our thesis is that the risks involved in reopening our domestic economy, and therefore to the recovery in earnings of Australian companies, are lower than those in Europe or the United States. The portfolio is therefore moderately skewed to “risk-on”, whilst we remain focused on finding stars, turnarounds, and under-researched stocks.

Please don’t hesitate to get in touch with your feedback and thoughts.

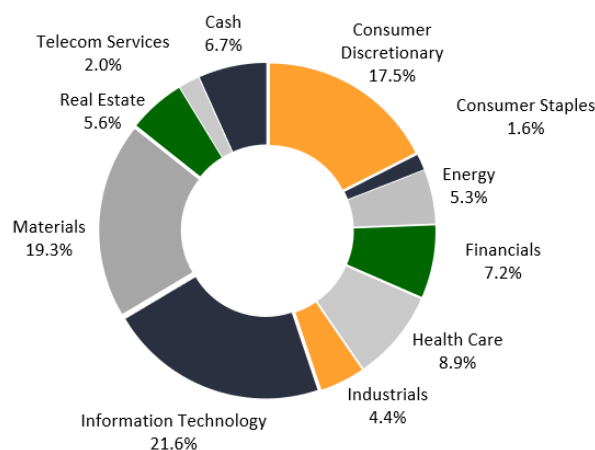
My thanks to all of our investors for your continued support.

Stephen Walsh
Chief Investment Officer

TOP HOLDINGS

Top 5 Holdings	Portfolio Weight
Saracen Mineral Holdings Ltd	3.6%
Megaport Limited	3.5%
Cooper Energy Limited	3.4%
Regis Resources Ltd	3.3%
Appen Ltd	3.1%

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.

HISTORICAL FUND RETURNS

Monthly Returns (Gross)	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	1 Year Return (Gross)	1 Year Return (Net)	1 Year Return (Index)
2012										2.11%	-1.77%	7.24%	7.56%	7.26%	2.04%
2013	4.47%	2.44%	-0.13%	0.02%	-2.42%	-3.84%	5.17%	3.16%	5.84%	4.92%	-4.16%	4.47%	21.01%	17.85%	-0.76%
2014	-1.66%	10.98%	3.58%	-1.71%	1.38%	1.67%	8.63%	0.48%	-3.39%	-4.51%	-2.33%	1.36%	14.16%	10.00%	-3.81%
2015	2.37%	5.81%	3.02%	2.31%	-0.06%	-5.02%	4.22%	-3.59%	0.08%	6.18%	-0.08%	2.12%	18.07%	16.31%	10.15%
2016	-5.59%	-3.64%	3.88%	3.64%	5.83%	-0.55%	7.32%	-1.25%	2.88%	-5.67%	-2.49%	0.93%	4.35%	2.95%	13.18%
2017	-3.59%	0.76%	-0.47%	-1.34%	-0.30%	1.01%	-1.25%	3.16%	2.09%	5.84%	4.22%	2.76%	13.24%	11.63%	20.02%
2018	0.32%	4.75%	-3.25%	3.02%	1.59%	1.52%	-1.10%	1.94%	-2.04%	-11.36%	0.53%	-4.17%	-8.90%	-10.14%	-8.67%
2019	6.34%	7.69%	1.96%	5.02%	-1.48%	1.92%	4.16%	3.63%	5.07%	0.81%	-0.75%	-1.68%	37.37%	35.79%	21.36%
2020	3.27%	-8.34%	-29.02%	18.52%									-20.37%	-20.73%	-16.26%

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**

With over 30 years' experience, Stephen has held director level roles in equities research and investment banking in Australia and overseas.

He was Banks Analyst at Macquarie (2000-2004), Head of Research at Wilson HTM (2005-2011), and Head of Asia (ex-Japan) Consumer Research at Credit Lyonnais (1996-2000).

Previously, he worked in senior strategy roles for LEK Consulting and Standard Chartered Bank.

**KERRY SERIES****Director**

Kerry has more than 30 years of experience in equity markets and founded 8IP in 2010. He was previously Head of Asia Pacific Equities at AMP Capital and Investment Director at HSBC Asset Management. He co-founded Perennial Investment Partners which grew FUM to \$20 billion within 7 years.

KEY FUND INFORMATION

Investment Manager: Eight Investment Partners Pty Ltd (8IP)

Risk and Operations: Sanlam Private Wealth (Pty) Ltd.
ABN: 18 136 960 775

Responsible Entity: Equity Trustees Limited
ABN: 46 004 031 298
AFSL: 240975

Fund Regulator: Australian Securities and Investments Commission

Fund Domicile: Australia

Fund Administrator: Mainstream Fund Services

Custodian: JP Morgan

FUND IDENTIFIERS

APIR: FHT0012AU

ARSN: 143 454 013

Bloomberg Ticker: EIPASMC AU

Morningstar Ticker: 16197

FEES

Management Costs: 1.20% p.a. including GST

Performance Fee: 20% over hurdle

Minimum Investment: \$5,000

Exit penalties: 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 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. Past performance is no indication of future performance.