

8IP Small Companies Fund

Fund Update: 30 June 2020



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 +7.23% pa (pre-fees) and +5.21% pa (net).

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

COMMENTARY

Please note that earlier factsheets understated 2019 distribution per unit at 8.24c. Actual 2019 distribution per unit was 9.38c.

Global markets continued to rise, but at a slower pace. Tech remained the star, with Nasdaq putting on +5.99%. The ASX100 rose +2.9% versus +1.89% for the S&P500. The Australian Small Ordinaries Index fell -1.95%. 8IP's fund beat its benchmark by 6.46%, turning in +4.51% net of fees. For FY20, the fund delivered +4.33% net, +10.00% ahead of the index and a good outcome given the extreme market volatility and decline since February 2020.

Performance benefited from positive updates from several key holdings; Splitit (SPT, +153.8%) enjoyed a remarkable (we would say overdue) rerate on news of its Mastercard partnership; Kogan (KGN, +31.1%) was rewarded for continued growth acceleration; Mach 7 Technologies (M7T, +43.6%)

PERFORMANCE

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

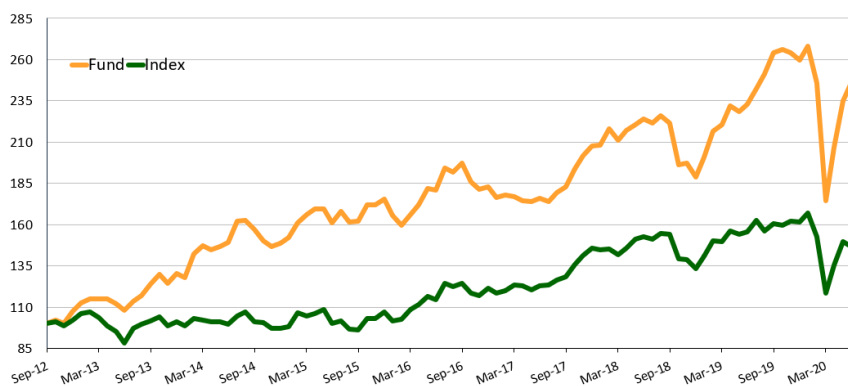


Chart Footnotes: Returns sourced from 8IP and S&P/ASX as on 30/06/2020 in Australian dollars. Fund returns are gross returns.
*The inception date is the date that current management took responsibility for investing this Fund.

KEY FACTS

Inception Date	Current Portfolio Team commenced 1/10/2012
No of Stock Holdings	60
Fund Size	\$10.9m
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 30/06/2020	Buy Price: \$1.0252 Sell Price: \$1.0170

DISTRIBUTIONS (LAST 5 YEARS)

Date	Cents per unit
30/06/2019	9.38c
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)	+4.61%	+40.91%	-5.34%	+5.60%	+11.78%	+8.81%	+12.29%
S&P/ASX Small Ordinaries Accumulation Index	-1.95%	+23.90%	-9.21%	-5.67%	+6.10%	+7.90%	+5.06%
Active Return (gross of fees)	+6.56%	+17.01%	+3.87%	+11.27%	+5.68%	+0.91%	+7.23%
8IP Small Companies Fund (net of fees)	+4.51%	+40.55%	-5.92%	+4.33%	+10.36%	+7.44%	+10.27%

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.

announced an excellent acquisition. We traded Redbubble (RBL, +66.1%), which bounced on positive news flow.

Splitit provides buy-now-pay-later (BNPL) services to approved credit card holders via the credit card scheme itself. In doing so, it accesses wealthier clients with more to spend on larger items. These users have already been credit-approved by the issuing bank; the issuing institutions fund the purchases and bear the bulk of the credit risk. In our view, this is a superior model to the bulk of the BNPL sector. The impact of SPT on merchant conversion rates and average order values has been extremely impressive and confirms the quality of the service they provide both merchant and customer. The Mastercard partnership announced this month is a validation of their offering. We remain very positive on SPT's growth pathway. We remain invested with high conviction.

Mach 7's product enables back-end hospital imaging data management, essentially converting files for storage and use with enterprise imaging products. As a stand-alone product, M7T's value proposition was incomplete – for it to deliver full value to a hospital, a complementary "viewing" platform was necessary. M7T's acquisition of Client Outlook ("CO") essentially enables them to offer their data management software in conjunction with CO's viewing platform, eUnity. An enterprise viewing tool with 80 global users, eUnity is currently used by several hospitals in conjunction with M7T's product; notwithstanding, the combined client base still contains significant cross-selling opportunity, and the ability to go to market with a complete solution should have a positive impact on M7T's sales cycle. The acquisition also brings significant recurring revenues.

Redbubble saw significantly increased volumes during the first few months of the Covid period. Largely this was due to increased volumes in their poster and home décor departments. While RBL has enjoyed a strong run, we entered this holding as a short-term play on the Covid thematic; we have sold our position.

Underperformers this month included Red 5 (RED, -25.9%) which reported a disappointing quarterly result shortly after completing a capital raise earlier this year. We reconsidered our investment thesis and we sold our position. Megaport (MP1, -12.1%) gave up ground after extremely strong performance during the past two months and a sell-down by a partner company. We don't believe this is an issue and remain invested. Finally, Perpetual (PPT, -5.1%) underperformed – as a value funds manager, it is relatively poorly positioned in the current environment. We continue to hold the stock because we like management, we like the strategy (expansion into ESG/ Impact investing, combined with cost rationalisation), and the stock is likely to deliver strong upside in the event of a vaccine.

OUTLOOK

June's performance rounded off a strong 4Q20 for the fund, which appreciated +40.91% in the quarter ending June 2020. The first few weeks of the new Financial Year have been characterised by continuing volatility, but as we write, the net effect has been that equity markets are up on the month (MTD: SPX +5.3%, NASDAQ +6.7%, XTO +3.0%, XSO +3.6%).

The US Federal Reserve continues to provide liquidity at ~US\$120b/month and shows no intention of stopping anytime soon. In the near term this program should continue to support markets. Valuations of the "obvious" beneficiaries of the current environment – principally, tech stocks and gold - are high, but there is still plenty of uncertainty and ultra-low interest rates; in the absence of clarity on economic growth, the various attempts to stage a breakout to value have failed. We think this could continue for a while but are monitoring the environment closely.

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

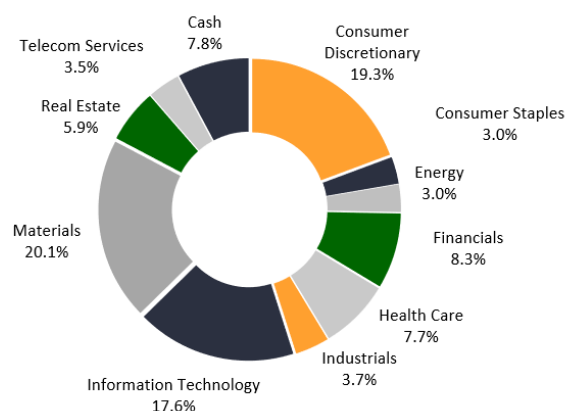
My thanks to all of our investors for your continued support.

Stephen Walsh
Chief Investment Officer

TOP HOLDINGS

Top 5 Holdings	Portfolio Weight
Splitit Payments Ltd	4.0%
Regis Resources Ltd	3.5%
IGO Ltd	2.9%
Appen Ltd	2.9%
Kogan.com Ltd	2.8%

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.

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%	13.65%	4.61%							-5.34%	-5.92%	-9.21%

**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.

ABOUT 8iP

8iP is a boutique investment group with offices in Sydney and Brisbane. Our senior staff have decades of experience in small cap investing. We employ a unique philosophy combining insights from our experience and academia to select between 40-60 stocks for the 8iP Australian Small Cap Fund, which is our flagship product. The objective of the fund is to deliver positive investment returns of at least 5% above benchmark over a rolling 5-year period.

For more information about our team and products, please visit

www.8ip.com.au

KEY FUND INFORMATION

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

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.