

# 8IP Small Companies Fund

Fund Update: 31 July 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 +8.03% pa (pre-fees) and +6.01% pa (net).**

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

## COMMENTARY

The fund appreciated +7.69% after fees in July, +6.30% ahead of its benchmark for the month. Year to date, performance has been +1.31% (net) in CY20, +9.25% ahead of its benchmark.

Performance benefited from continued exposure to "Covid beneficiaries". Key thematics included work from home (Whispir (WSP), +116.7%); online shopping (Splitit (SPT), +16.1%; Marley Spoon (MMM), +81.1%); and healthy demand for personal transport (AP Eagers (APE), +20.15%). Each of these stocks provided positive market updates in the month.

We have held WSP since its IPO last year. The company provides a software platform enabling companies to improve the efficiency of communications strategies. Key customers include Qantas and QHealth. The current environment brought about a surge in sales over the 2H FY20, including a

## PERFORMANCE

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

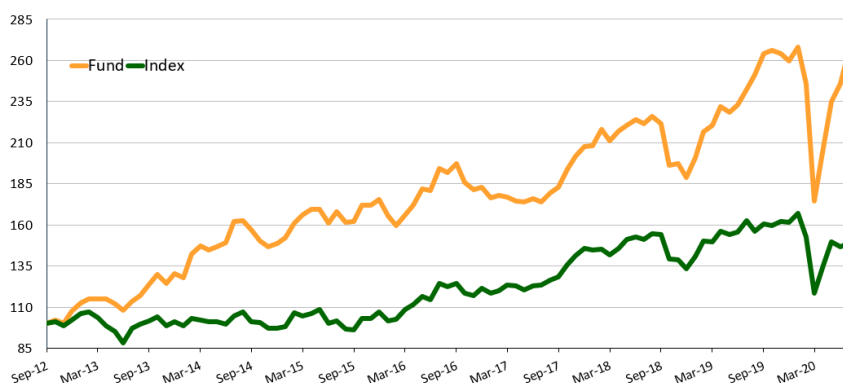


Chart Footnotes: Returns sourced from 8IP and S&P/ASX as on 31/07/2020 in Australian dollars. Fund returns are gross returns.  
\*The inception date is the date that current management took responsibility for investing this Fund.

## KEY FACTS

<b>Inception Date</b>	Current Portfolio Team commenced 1/10/2012
<b>No of Stock Holdings</b>	61
<b>Fund Size</b>	\$11.6m
<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 31/07/2020</b>	Buy Price: \$1.0417 Sell Price: \$1.0334

## DISTRIBUTIONS (LAST 5 YEARS)

Date	Cents per unit
30/06/2020	5.77c
30/06/2019	9.38c
30/06/2018	11.24c
30/06/2017	5.00c
30/06/2016	0.79c

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)	+7.79%	+28.15%	-1.19%	+9.28%	+15.09%	+9.55%	+13.22%
S&P/ASX Small Ordinaries Accumulation Index	+1.39%	+9.94%	-10.95%	-8.49%	+6.47%	+7.86%	+5.19%
Active Return (gross of fees)	+6.40%	+18.21%	+9.76%	+17.77%	+8.62%	+1.69%	+8.03%
8IP Small Companies Fund (net of fees)	+7.69%	+27.81%	-1.80%	+7.98%	+13.65%	+8.18%	+11.20%

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.

major new contract with the Victorian State Government. As a result, WSP met or exceeded all key Prospectus targets. The stock's strong re-rate in part reflected market enthusiasm for positive Covid exposure which has been such a strong feature of the market in recent months. We remain invested but used the surge in share price to take some profits.

Marley Spoon's home delivery service is competitively priced in its key US market. A lockdown-induced increase in demand led to a strong July sales update and a stock re-rate. AP Eagers' was a beneficiary of strong car sales in an Australian consumer market with (1) high levels of disposable income on the back of wage subsidies and early access to superannuation, and (2) a consumer market where available goods and services are in effect in reduced supply.

Our two largest detractors this month reflected the domestic uncertainty brought about by Victoria's spiking infection rate; Viva Leisure (VVA, -14.1%) and Redcape (RDC, -19.5%) operate gyms and pubs. While neither have a meaningful exposure to Melbourne (8 of VVA's ~80 gyms are in Victoria; none of RDC's properties are in Victoria), both traded down as Victoria's case numbers rose. VVA has a healthy balance sheet, recently enhanced by a capital raise which also funded the acquisition of Plus Fitness, a franchise of ~200 gyms in ANZ and India. We remain bullish on its prospects in the medium term and have been using price weakness to add to our holding. RDC's balance sheet is likewise robust, and its positioning in suburban and semi-regional areas as opposed to city centres should be a positive on the "way out" of lockdown.

## OUTLOOK

Markets are moving sideways. The "tug of war" continues between those betting on printing presses at maximum capacity, and those wary that it cannot continue. We remain focused on locating businesses whose competitive advantages will allow them to grow in either scenario.

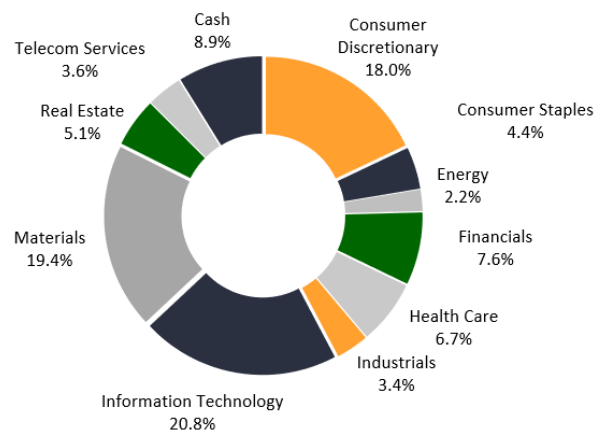
My thanks to our investors for your continued support; feedback and/or comments are always welcome.

**Stephen Walsh**  
Chief Investment Officer

## TOP HOLDINGS

Top 5 Holdings	Portfolio Weight
Splitit Payments Ltd	3.1%
AP Eagers Limited	3.0%
Appen Ltd	2.8%
City Chic Collective Limited	2.8%
Ramelius Resources Ltd	2.7%

## 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%	7.79%						+2.04%	+1.31%	-7.94%

**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](http://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](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.