

8IP Small Companies Fund

Fund Update: 31 August 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 +8.01% pa (pre-fees) and +5.98% pa (net).

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

COMMENTARY

The fund appreciated by +7.21% net of fees in August, in line with benchmark. Calendar year-to-date performance is +8.62% post-fees, +9.90% ahead of the index.

Reporting season saw significant outperformance from stocks which beat expectations for the second half of FY20. We were especially interested by the evident acceleration towards technology-based innovation. We spoke and listened to many companies in traditional industries which are leveraging technology to gain a competitive edge.

Top performers were Splitit (SPT, +35.8%), Fineos (FCL, +24.7%), Megaport (MP1, +29.6%), and Viva Leisure (VVA, +24.9%).

MP1's solid result was compounded by the announcement of an expansion of their product offering to enable SD-WAN across their software-defined

PERFORMANCE

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

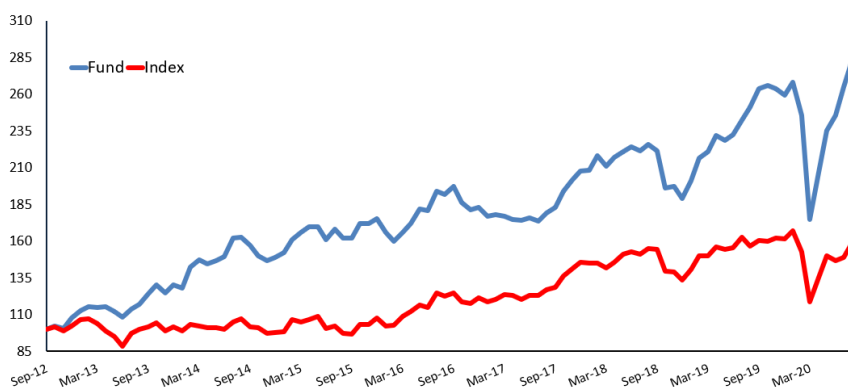


Chart Footnotes: Returns sourced from 8IP and S&P/ASX as on 31/08/2020 in Australian dollars. Fund returns are gross returns.
*The inception date is the date that current management took responsibility for investing this Fund.

KEY FACTS

Inception Date	Current Portfolio Team commenced 1/10/2012
No of Stock Holdings	60
Fund Size	\$12.4m
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 31/08/2020	Buy Price: \$1.1167 Sell Price: \$1.1079

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)	+7.31%	+21.00%	+15.68%	+13.16%	+16.61%	+11.92%	+14.08%
S&P/ASX Small Ordinaries Accumulation Index	+7.24%	+6.61%	+4.58%	+2.07%	+8.02%	+10.48%	+6.07%
Active Return (gross of fees)	+0.07%	+14.39%	+11.10%	+11.09%	+8.59%	+1.44%	+8.01%
8IP Small Companies Fund (net of fees)	+7.21%	+20.67%	+14.99%	+11.81%	+15.16%	+10.52%	+12.05%

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.

network (SDN). After heavy capital deployment in recent years, the market reacted positively to news the company is innovating to increase already impressive revenue/customer metrics. The stock appears expensive today, but its network is unique. To the degree it competes with other global SDN players, it is mostly with data centre operators who do not provide a true alternative to MP1's brand-agnostic network. We are bullish about the company's potential to leverage its network throughout the ongoing transition to cloud and multi-cloud enterprise networks, and therefore to deliver earnings which continually surprise the market to the upside.

Viva Leisure delivered a result ahead of market expectations on the back of good cost control. The appreciation of the stock price perhaps reflected some relief that their small Victorian exposure did not affect group performance more negatively. We viewed the company's announcement of a centralised network operation centre (NOC) as representing a potential step-change in capital efficiency. In theory, the NOC will over time reduce staff per gym and improve the group's EBITDA margin. It will also allow the company to enter less populous regions without compromising on their ROI requirements.

Worst this month were Elmo (ELO, -15.2%), Saracen (SAR, -13.0%) and Uniti Group (UWL, -9.0%).

ELO's financials were slightly below consensus, and outlook guidance represented a downgrade to EBITDA expectations. We note the company is being conservative in provisioning for customer loss in its FY20 ARR number (ie, pulling the potential for bad news forward in order to get it out of the way - something it has not done historically), but the second half still saw a material slowdown in its revenue growth rate. An additional drag was the company's failure to provide colour on its acquisition strategy following its material capital raising. We nonetheless see ELO's market penetration in its native ANZ market as low and believe the company will make significant acquisitions in FY21.

We sold UWL on the back of its result. Having acquired the stock at a much lower price, we decided to take profit as the stock enters a period which we viewed as difficult given regulatory risk and a potential bidding war for Opticomm.

OUTLOOK

Sustained market turbulence will dominate. Low interest rates, continued government stimulus and money printing are a formula for recovery... whenever business and consumer behaviour normalises. These factors and the widely noted "bifurcation" between "tech" and "the rest" persuaded us to add to our "cyclical" holdings, but only in those high quality businesses most negatively impacted by coronavirus – IDP Education, Corporate Travel, and IPH Limited all displayed resilience through tough times in their results. Mindful that some of our core "tech" holdings are priced towards the high end of valuation ranges, we added some new names and removed some old ones.

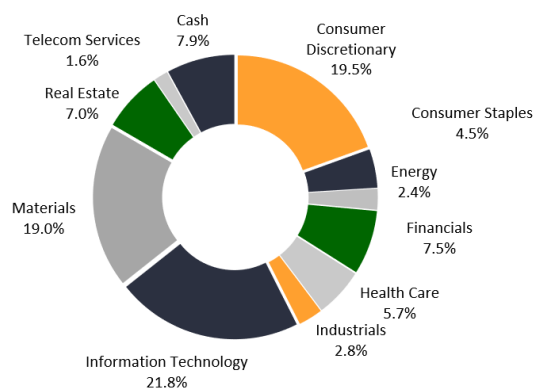
My thanks to our investors for your continued support; feedback and/or comments are always welcome.

Stephen Walsh
Chief Investment Officer

TOP HOLDINGS

Top 5 Holdings	Portfolio Weight
Splitit Payments Ltd	4.1%
Fineos Corp	3.3%
Credit Corp Group	3.0%
Ramelius Resources Ltd	2.9%
City Chic Collective 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%	7.79%	7.31%					+9.50%	+8.62%	-1.28%

**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.