



8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: December 2020

KEY FACTS

INCEPTION DATE	Current Portfolio Team commenced 1/10/2012
NO OF STOCK HOLDINGS	65
FUND SIZE	\$15.0m
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 June; reinvested unless otherwise instructed
UNIT PRICES AT 31/12/2020	Buy Price: \$1.2206 Sell Price: \$1.2108

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 +5.69% p.a. (net).

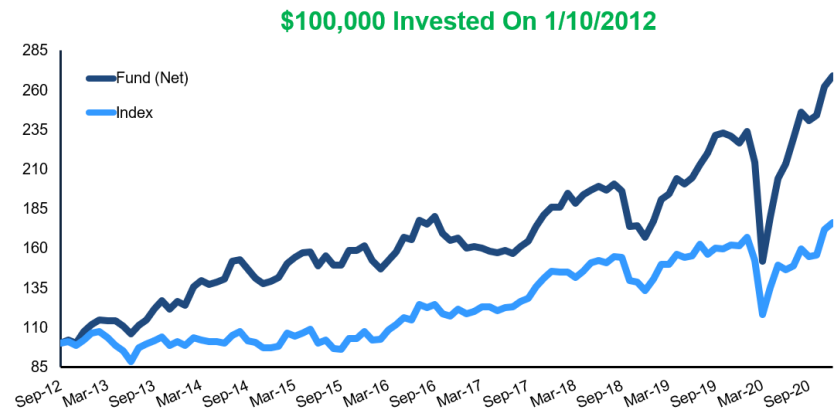
The Fund is rated Investment Grade by Lonsec Research - please contact 8IP for more information.

COMMENTARY

Our best performers in December were City Chic (CCX, +45.7%), Credit Corp (CCP, +25.0%) and Western Areas (WSA, +16.9%). CCX made a well-priced acquisition in the UK, delivering on their previous commitment to expand their geographical presence and not to overpay in doing so. Credit Corp purchased the debt-ledger of its largest Australian rival, demonstrating the power which restraint in good times brings in the bad. We bought WSA as a play on the nickel price, which is benefiting from both expectations of growth in electric vehicles and the broad market wave into cyclical stocks.

Our weakest performers were IDP Education (IDP, -18.9%), Corporate Travel Management (CTD, -12.5%) and Bellevue Gold (BGL -15.2%). IEL was "promoted" out of the small cap index and into the ASX100, news which triggered selling from small-cap managers not met by demand from our large-cap peers. We sold the stock because it was exciting our universe, in line with the funds mandate. CTD's price pulled back also after a strong run, compounded by negative Covid-19 news from NSW and, more importantly, overseas, but we

PERFORMANCE



Note: Returns sourced from 8IP and S&P/ASX as on 31/12/2020 in Australian dollars. Fund returns are net returns.

*The inception date is the date that current management took responsibility for investing this Fund.

8IP Small Companies Fund vs Benchmark	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
8IP Small Companies Fund (net of fees)	+2.63%	+11.82%	+26.19%	+18.70%	+13.15%	+10.73%	+12.75%
S&P/ASX Small Ordinaries Accumulation Index	+2.76%	+13.83%	+20.28%	+9.21%	+6.57%	+10.46%	+7.12%
Active Return (net of fees)	-0.13%	-2.01%	+5.91%	+9.49%	+6.58%	+0.27%	+5.63%

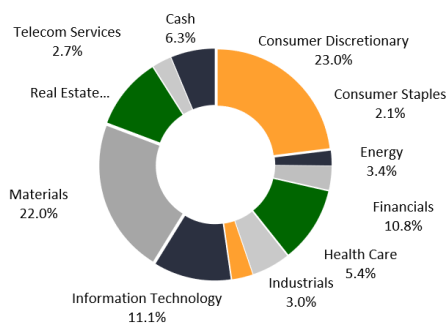
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance.

TOP HOLDINGS

Top 5 Holdings

Chalice Gold Mines
 Credit Corp Group
 City Chic Collective Limited
 Sealink Travel Group Ltd
 Codan Ltd

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.

remain invested. Bellevue traded lower in December having performed very well relative to other gold stocks in November; at the end of December, it had still materially outperformed the larger stocks.

Year in Review

In an exceptionally volatile year, the fund returned +18.7% net of fees in 2020. This compared with the Small Ords Accumulation Index at 9.2%.

In hindsight, the turbulence of markets represented a tremendous opportunity for investors. Recognising this and shifting portfolio structure proved the key to outperforming this year. We underperformed during the panic of February and March, noting at the time that our worst performers were, ironically, stocks normally considered "safe" – gyms, cafés, bars, etc.

Having suffered on the way down, we moved to take advantage of what we anticipated could be a fast recovery. Our assessment was the "crash" had occurred because of an exogenous event, not because of systemic failure. This meant we could expect the recovery would be correlated with the trajectory of the pandemic. While sensitive to the potential for a medium-term economic slowdown resulting from lockdowns, government and global central bank responses were so swift and extreme that we felt justified in taking what was at the time an aggressive stance.

Money flowed into markets throughout the second quarter. During this period, our level of company contact was extremely high. We sought to identify companies which would prove relatively immune from the shock, but also those which stood to benefit either from the effects of the virus itself, or from the volume of money being pumped into economies and markets. Technology businesses which supported remote work such as Megaport and Whispir, and the online retail space, proved especially important to performance. Finally, we were well overweight gold, the price of which surged as money was printed and perceived long term inflationary risks increased.

We continued to outperform in the third quarter. This was as much a consequence of our stock-picking as of our exposure to broader themes: HUB, a business taking market share, and

Chalice Mining (CHN), an explorer whose prospects impressed us, led the gains through September.

As the year closed, markets began to "look-through" lockdowns and towards a world where the impact of the virus would decrease; consumers would emerge with very high excess savings and governments would continue to provide plentiful stimulus. We had been conscious of tech valuations as they rose during the second quarter and had been gradually shifting exposure from tech to cyclical through the period from July – September. Though we did not quite keep up with the very aggressive "value shift" in November, the portfolio still rose very substantially that month and continued to grow during December.

Coronavirus relapses and outliers excluded, we expect markets to have a strong first half of 2021 and we have continued to move our portfolio towards businesses with exposure to "recovery" tailwinds. Consumer sentiment is improving and likely to do so further with vaccine rollouts and a gradual unwinding of restrictions. In Australia, house prices are rising, Boxing Day and New Year where relevant appear to have been strong, and new car sales have begun to rise for the first time in years. Commodity prices are very bullish for producers, and the education sector will benefit from international students again. The key risk is that interest rates rise earlier than expected; we do not see this as a near term risk.

2020 was a severe test for all money managers and at the end of it, we are pleased the fund has performed relatively well. Naturally, we made some mistakes and we have actively sought to identify those things so that we can learn from them. We are committed consistently to refining our process and to building a product of enduring value for our clients.

We would like to sincerely thank our clients for their support over the past eight years, and as always invite your feedback.

Stephen Walsh
 Chief Investment Officer



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 WI Carr / Credit Lyonnais (1996-2000).

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

KEY FUND INFORMATION

Investment Manager: Eight Investment Partners Pty Ltd (8IP)
Responsible Entity: Equity Trustees Limited
 ABN: 46 004 031 298
 AFSL: 240975

FUND IDENTIFIERS

ARSN: 143 454 013

FEES

Management Costs: 1.20% p.a. including GST
Performance Fee: 20% over hurdle
Minimum Investment: \$5,000



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

IMPORTANT INFORMATION

Equity Trustees Limited ("Equity Trustees") ABN 46 004 031 298 | AFSL 240975, is the Responsible Entity for the 8IP Small Companies Fund (the 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 by Eight Investment Partners Pty Ltd ("8IP") ABN 22 139 616 783 | AFSL 342305, the investment manager for the Fund, to provide you with general information only. In preparing this document, 8IP 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 8IP, Equity Trustees nor any of their related parties, their employees or directors, provide any 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 8IP on +61 (7) 3184 9118 or emailing them at enquiry@8ip.com.au.