



8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: May 2021

KEY FACTS

INCEPTION DATE	Current Portfolio Team commenced 1/10/2012
NO OF STOCK HOLDINGS	59
FUND SIZE	\$16.9m
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 June; reinvested unless otherwise instructed
UNIT PRICES AT 31/05/2021	Buy Price: \$1.3074 Sell Price: \$1.2970

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 +5.34% p.a. (net).

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

Commentary

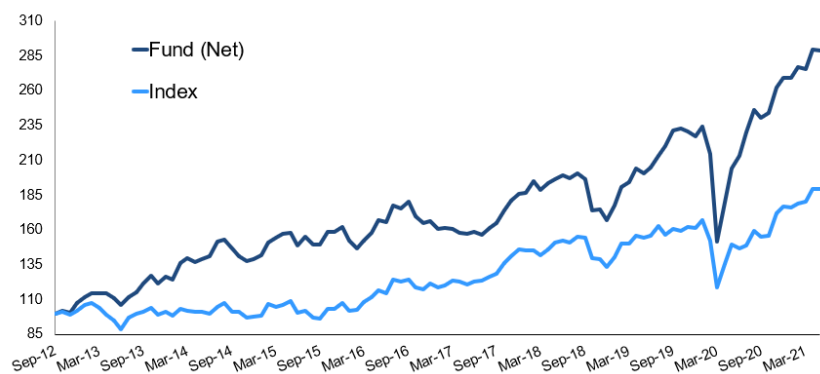
The fund returned -0.35% net over the month, down -0.62% versus the benchmark return of +0.27%. These look like relatively benign outcomes however markets experienced substantial volatility in May.

Our best performers were Chalice (CHN; +27.2%), Ramelius (RMS; +15.9%), and Corporate Travel (CTD; +12.7%). CHN has been a very strong performer since we first bought stock for \$1.01 in July 2020. Chalice has the potential to be a globally significant business based in Australia, and as successive drill results have validated our thesis, the market has bought the stock. Following a strong month in April, the run continued into May. Indeed, further positive results were announced again in early June. We expect a maiden resource to be announced later this year.

Ramelius has been our favoured gold exposure for a while now. We hold gold stocks in the portfolio primarily as a hedge against inflation; but also because, with gold

PERFORMANCE

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



Note: Returns sourced from 8IP and S&P/ASX as on 31/05/2021 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 - %)	-0.35%	+4.15%	+9.93%	+41.27%	+13.62%	+11.57%	+13.00%
S&P/ASX Small Ordinaries Accumulation Index (%)	+0.27%	+6.09%	+10.42%	+26.73%	+7.89%	+10.27%	+7.66%
Active Return (net of fees - %)	-0.62%	-1.94%	-0.48%	+14.54%	+5.73%	+1.30%	+5.34%

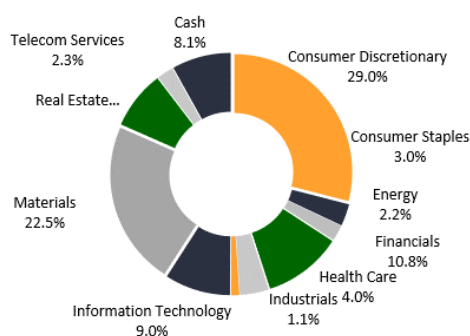
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance.

TOP HOLDINGS

Top 5 Holdings (Alphabetical)

Chalice Mining Ltd
 Corporate Travel Management Ltd
 Credit Corp Group Limited
 Ramelius Resources
 Virgin Money UK PLC

SECTOR ALLOCATION



Source: 8IP and Bloomberg.

Please note that 8IP may reallocate sector classifications where we believe it appropriate.

prices at historically elevated levels, the best-placed gold miners are generating substantial free cash flows and profits. Ramelius is certainly one of these. May saw market expectations about the potential quantum and duration of inflation move at one stage to quite bearish levels, and as such the gold price rose throughout the month from USD1,774/ oz to over USD1,900/ oz. This 7% increase in the price of gold was the most significant factor underlying performance.

We are bullish travel stocks as one of the most leveraged plays to the reopen trade. We re-entered CTD during the post-Covid lows – it is our largest overweight in the travel space. Over the last few months these stocks have fluctuated substantially based on news flow around vaccination rates, but what has become clear is that the Northern hemisphere is leading the way in inoculating populations. CTD has substantial exposure to major NH geographies. The business has not had an easy ride in recent years – suffering a short attack in 2018, mounting a vigorous defence during 2019, and then having to deal with Covid in 2020. But in our view the company's response has been strong – it had no need to raise equity to cover its balance sheet during Covid, then executed a clever strategic deal to bolster its position in the world's largest market (USA) – where they had been weakest historically and at a time when prices were at cycle lows. Prior to the short attack, CTD was trading at well over AUD30 per share. The business has a better portfolio today than it did then.

Key underperformers were Digital Wine Ventures (DW8; -30.0%), Strike Energy (STX; -17.3%), and loneer (INR; -13.6%).

DW8 violently corrected over the month. Though we took profit last month, we remain convicted in the stock, and view the addition

of Amazon as a partner (announced in early June) as confirmatory of our thesis that DW8 is a disruptor in its space with a strong pathway of ahead. Last months' introduction of Marketplace should be a key driver for growth.

Strike Energy is currently in the midst of a drilling campaign. During the month, the West Erregulla 4 appraisal well ran into a flow test issue which delayed testing as more equipment is required. It resulted in the stock selling off after a good run approaching all-time highs in April. The flow test will be conducted in conjunction with WE5 testing. We expect both wells to be successful. The share price has recovered somewhat since month's end.

We greatly reduced our position in INR as we encountered an environmental issue that may significantly delay the development of the Lithium mine. Whilst we believe the deposit is unique, we determined that the risk of delays would damage the valuation.

Outlook

Inflation remains the macro battle ground. Following a substantial sell off in early May, the Fed exercised its substantial PR muscle and dispatched a number of its "big guns" to calm nerves – to tell the markets that inflation will happen, but it will be related to the restarting of supply chains, that this is entirely to be expected and as such it will be temporary. Ever since then, the mood has calmed somewhat, and markets have resumed their upward, though volatile, trajectory. This will tend to buoy cyclical and value names, as has been the case since November.

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, Head of Research at Wilson HTM, and Head of Asia (ex-Japan) Consumer Research at WI Carr / Credit Lyonnais.

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: EOT). 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.