



8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: August 2021

KEY FACTS

INCEPTION DATE	Current Portfolio Team commenced 1/10/2012
NO OF STOCK HOLDINGS	62
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 31/08/2021	Buy Price: \$1.2395 Sell Price: \$1.2297

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 an annualized return of +13.74%, and outperformance of +5.27% p.a. (net).

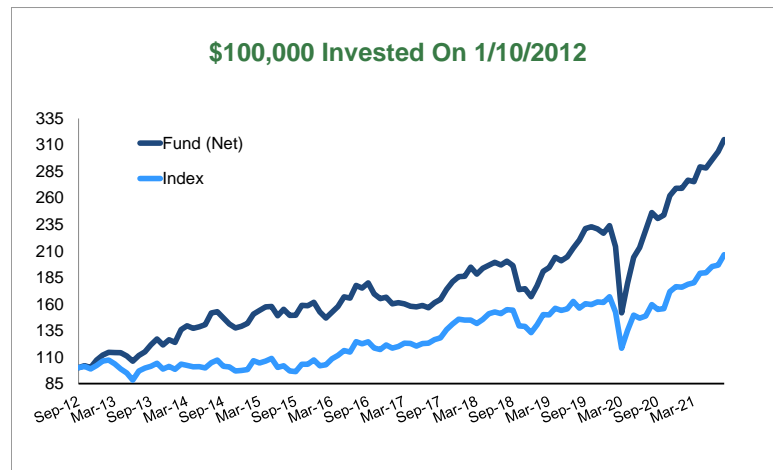
The Fund is rated Investment Grade by Lonsec Research - please contact 8IP for more information.

Commentary

The fund returned +3.77% (net) during reporting season in August, versus the index at +4.98%. CYTD performance is +17.10% (net), +0.03% versus the index.

Best performers were Uniti Group Limited (UWL, +24.5%), Pilbara Minerals (PLS, +25.9%) and City Chic Collective (CCX, +15.0%). Uniti Group's core business is to supply last mile fibre access to newly constructed residential estates. These assets effectively deliver long-duration, localised or "micro" monopolies to UWL over the supply of internet services to consumers. The business exited 2021 with an EBITDA run rate of \$133.4m, enough to drive upgrades even before the increase in contracted order book from 200K premises in February 2021, to 250K currently. We think the long run value of the fibre assets remains under-appreciated.

PERFORMANCE



Note: Returns sourced from 8IP and S&P/ASX as on 31/08/2021 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 - %)	3.77%	9.32%	13.86%	27.98%	16.28%	12.47%	13.74%
S&P/ASX Small Ordinaries Accumulation Index (%)	4.98%	8.95%	15.58%	29.51%	10.09%	10.99%	8.47%
Active Return (net of fees - %)	-1.21%	0.37%	-1.72%	-1.53%	6.19%	1.48%	5.27%

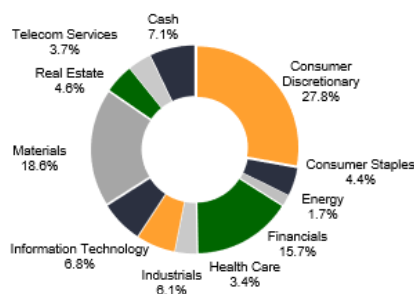
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance. Returns for periods of one year or more are annualised.

TOP HOLDINGS

Top 5 Holdings (Alphabetical)

Chalice Mining Ltd
 City Chic Collective
 Pilbara Minerals
 Uniti Group Ltd
 Virgin Money UK PLC

SECTOR ALLOCATION



Source: 8IP and Bloomberg.

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

We originally invested in CCX when the company was spun out of its previous holding company in 2018. Since then, the share price has risen more than 10X. This was another strong result which validated the strategic operating model and points to substantial further operating leverage going forward. The business is now 70% online, having entered its major overseas markets – USA, UK and Europe – only within the last two years. The next 2-3 years involves the progressive rollout and cross sell of existing products into these various markets, a task which, given the skill with which the business framework has been established and the competitive advantage the company is evidently building, should prove increasingly easier and lower risk. This is the period during which CCX can establish itself as global leader in a large and under-served market.

Pilbara Minerals continued to perform very strongly, principally on the back of EV-related global news flow. The simple story here is – annual production of cars is 78m units pa; last year about 1m EV's were produced, and this year it was 3m. So, over the long run, assuming the number of cars remains flat, the number of EV's needs to increase by more than 20X. Results reported for the June quarter were also strong; shipments of 96kt were a new record and beat guidance of 75-90K, and inventory levels fell.

Our 3 underperformers this month were Tamboran (TBN, -28.8%), Strike Energy (STX, -22.4%) and Ramelius Resources (RMS, -9.7%).

Strike sold off despite the expected presence of gas in their West Erregulla 5 well. Completion issues left the flow test inconclusive so the well will be retested shortly. During the month Tamboran completed the first of its wells in the current gas exploration programme. It is currently

drilling another, and both will be flow tested by the end of the year.

Gold stocks in general sold off in August with some gold price volatility. Ramelius produced a solid annual result with no surprises however the forward production looks flat without an acquisition. Costs are creeping up partly due to covid related supply issues. The position size was reduced.

Outlook

This has been a very strong year so far for equity markets, underwritten by good progress on Covid-19 globally in addition to unprecedented levels of stimulus and historically cheap money. Coming out of reporting season, most management teams are optimistic; they point to healthy balance sheets, and expectations of pent-up demand being realised as local lockdowns conclude in the fourth quarter. We also note two key structural trends likely to play into FY22; established businesses with access to capital have taken market share during the downturn, and many are waiting to continue to do so via M&A. All of this is positive for investors.

Nevertheless, we are slightly nervous heading into September. As we head into the end of 2021 investors will have to weigh up a number of factors, including: bond yields at current historic lows versus likely significant US inflation in the short-term, a slowdown in China, and expectations of further fiscal support from the Biden government. We think a short-term sell off is a real possibility, but also that such an event would represent a buying opportunity.

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: 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.