



# 8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: December 2021

## KEY FACTS

<b>INCEPTION DATE</b>	Current Portfolio Team commenced 1/10/2012
<b>NO OF STOCK HOLDINGS</b>	55
<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 June; reinvested unless otherwise instructed
<b>UNIT PRICES AT 31/12/2021</b>	Buy Price: \$1.2557 Sell Price: \$1.2495

## 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 +13.41%. Over the last three years, the fund has delivered annualized performance of +24.25%, outperforming by +8.53% p.a. (net).**

**Please note we have reduced management fees to 0.95% pa. Performance fees are 20% over hurdle.**

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

## Commentary

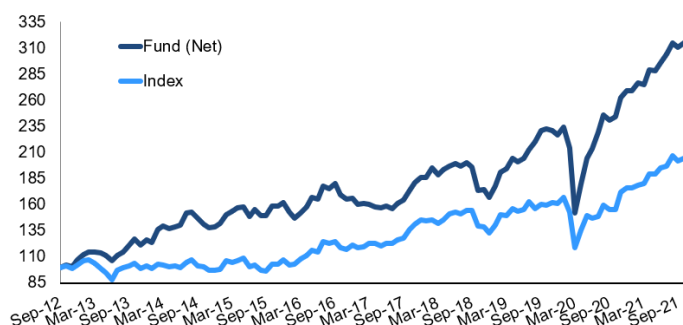
The fund returned +0.18% post fees in December against the benchmark which gained +1.41%. The calendar year saw the fund gain +18.99% versus the benchmark's +16.9%.

Our best performers for the month were lithium producers. The underlying battery-grade lithium price rose strongly during December, and Pilbara (PLS) and Allkem (AKE) (formerly Orocobre) were both up 23%. Both these companies have migrated into the ASX 100 Index but we have chosen to hold them for the time being as the Electric Vehicle theme continues to play out.

MoneyMe (MME) +18.2% had a busy month. The acquisition of Society One sees the business nearly double the size of its book. There are both operational and cost synergies available to the company over time; we are excited about the growth potential that SocietyOne introduces in higher credit quality segments of the market. Later in the month the company announced a new debt facility

## PERFORMANCE

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



Note: Returns sourced from 8IP and S&P/ASX as on 31/12/2021 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)	0.18%	2.93%	8.15%	18.99%	24.25%	13.98%	13.41%
S&P/ASX Small Ordinaries Accumulation Index	1.41%	2.03%	5.54%	16.90%	15.71%	11.17%	8.14%
Active Return (net of fees)	-1.24%	0.90%	2.61%	2.09%	8.53%	2.81%	5.27%

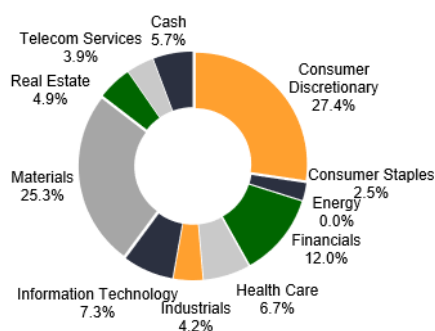
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance. Returns for periods of one year or more are annualised.

## TOP HOLDINGS

## Top 5 Holdings (Alphabetical)

City Chic Collective  
Hub24  
Life360Inc  
Pilbara Minerals  
Pro Medicus Limited

## SECTOR ALLOCATION



Source: 8IP and Bloomberg.

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

for its AutoPay product at a significantly lower funding cost than the rest of the book. We anticipate further segregation of funding for different loan types as the MME book increases in size and diversity.

Our single biggest detractor was Life360 (360) -19.75%, which gave back all the gains it made in November having paid USD 205m for cloud-based tracking company Tile. This acquisition was partly funded by a placement at \$12/CDI. During December the market sold off high-valuation growth stocks generally and 360 was caught up in this sentiment. Despite this indigestion we continue to believe the company is performing strongly.

Universal Stores (UNI) was also weak, losing -7.85% during December. Late in November the company released a trading update which described the impact of the lockdowns in NSW, Victoria and the ACT. These covid impacts meant that the company effectively lost 34% of available trading days for the first 20 weeks of the year, or \$20m in lost sales. Remaining stores and the online business performed strongly, offsetting the negative impacts somewhat. Since then, the growing presence of the Omicron variant during December has hurt sentiment in relation to sales and supply chain disruption with respect to retailers.

## Outlook

Last month we wrote that we believed inflation was transitory, but that we still expect interest rates to rise from current suppressed levels. Since then, inflation numbers in the US at headline levels have remained elevated, prompting the market to anticipate that rate rises and/or quantitative tightening will occur sooner than previously thought. This has been coupled with the now well discussed issues of supply chain shortages and the reduction of the available workforce caused by the spread of Omicron. Omicron spreads faster than earlier variants, however, and it may therefore prove a 'speed bump' which will have a short-term effect on prices, inflationary expectations and interest rates.

The residual concern is not that the Fed increases interest rates but that it does so too quickly, such that economic growth is impacted, and company earnings with it.

As ever, we are cognisant of the risks in the market, but will continue to hunt for great companies in 2022.

**Stephen Walsh**

**Chief Investment Officer**

## 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:** 0.95% p.a. including GST  
**Performance Fee:** 20% over hurdle  
**Minimum Investment:** \$5,000

## 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.



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)

## 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](http://www.eqt.com.au/insto) or request a copy by calling the Investment Manager 8IP on 07 3155 6509 or emailing them at [enquiry@8ip.com.au](mailto:enquiry@8ip.com.au). 8IP Small Companies Fund's Target Market Determination is available here at <https://www.8ip.com.au/australian-small-companies-fund/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed."