



8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: February 2022

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 28/02/2022	Buy Price: \$1.0788 Sell Price: \$1.0734

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 +11.35%. Over the last three years, the fund has delivered annualized performance of +12.96%, outperforming by +5.22% p.a. (net).

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

Commentary

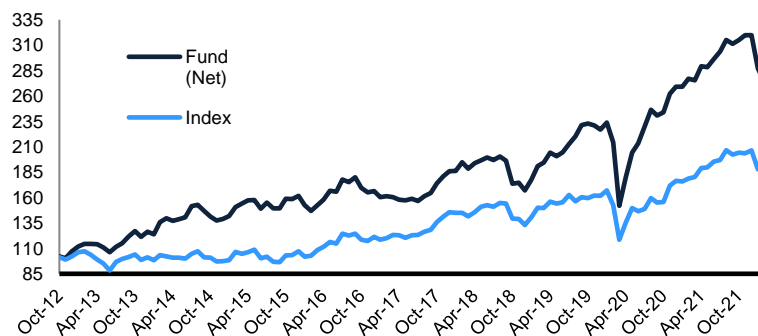
The fund returned -4.31% post fees in February against the benchmark which was flat.

Our best performers this month were once again in resources with commodity prices rising considerably. Bellevue Gold (BGL; +22.73%) traded up after a solid result through reporting season. Drilling results through mid-February indicated further reserve growth. The company continues to make strong progress with Stage 1 of the underground works nearing completion.

Lynas Rare Earths (LYC; +14.30%) rose following its result. The company achieved record profit and sales revenue in February reflecting buoyant market conditions for rare earths. The

PERFORMANCE

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



Note: Returns sourced from 8IP and S&P/ASX as on 28/02/2022 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)	-4.31%	-13.94%	-12.71%	-0.61%	12.96%	11.27%	11.35%
S&P/ASX Small Ordinaries Accumulation Index	-0.01%	-7.71%	-9.14%	5.02%	7.74%	9.35%	6.92%
Active Return (net of fees)	-4.30%	-6.23%	-3.57%	-5.63%	5.22%	1.91%	4.44%

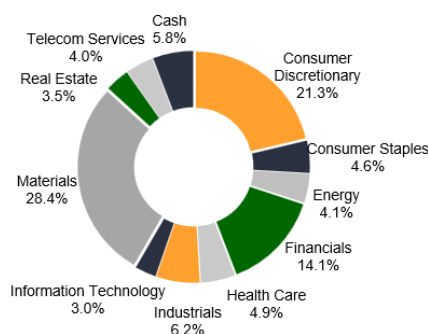
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance. Returns for periods of one year or more are annualised.

TOP HOLDINGS

Top 5 Holdings (Alphabetical)

Corporate Travel
Credit Corp Group
Elders Limited
Lynas Rare Earths
Uniti Group

SECTOR ALLOCATION



Source: 8IP and Bloomberg.

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

company's asset is the largest rare earth deposit outside of China; it is a beneficiary of current geopolitical tensions and the structural trend towards electrification.

Sims Limited (SGM; +28.15%) saw a very strong first half. Sales revenue grew by +70.5% YoY. More significant to the share price movement was commentary that conditions have remained strong well into the second half of the financial year, against consensus estimates which have the company's profitability deteriorating significantly.

Uniti Group (UWL; -21.29%) performed negatively in February despite revenue and EBITDA growing by 98% and 140%, and net debt decreasing by 33%. One weakness was lower than anticipated construction revenues, which act as a forward indicator of profit. We think the move in the share price is overdone. The company reaffirmed full year profit guidance, and we note that booked construction revenues are largely driven by developers' timelines, which were impacted by covid in the last quarter of 2021. The company accelerated its share buyback following the result.

Life360 (360; -36.59%) is a position we've grappled with. The business is unique on the Australian market, as a consumer technology company with in-excess of one-million US subscribers and rapid top-line growth. The company's result did not from our perspective justify the share price depreciation seen on the day; as with UWL, it was in line with broad expectations. Nonetheless, in the face of slowing monetary stimulus and rising inflation, compounded by Apple's move away from its AirTag product, the market took the view there was not enough in the result to justify 360's valuation.

Outlook

Over the fund's nearly ten-year history, we've dealt with multiple shifts in the investing environment. But even in that context, the last two months have been remarkable. Markets have successively had to deal with a series of "rolling" problems, namely the inflationary hangover from Covid; a rapid escalation in expectations about the number and

extent of US interest rate rises; and the reality of the first major European war since WW2. These events have collided, so stocks which were immune for example, to Covid-related "supply chain" inflationary pressures, have suddenly been hit by negative spillover effects from Ukraine (e.g., higher input prices resulting from import bans on Russian exports). This has led to further rapid-fire stock hits, and the deepening and broadening of the sell-off. If any more were needed, Russia's war has prompted concerns about the future stability of the geopolitical landscape, threatening to accelerate the process of "de-globalization" which began with Trump. The ramifications - higher taxes to fund more defence spending, for example - would mostly be negative.

In this confusion of events, markets have focused on what looks like the immediate problem, i.e., how badly will the war exacerbate inflation, and how will the Fed deal with it? Agricultural, commodity and especially oil prices had already increased before moves by western governments to ban Russian imports; since then, they have rocketed. Markets are hoping for a fix – some combination of slower rate rises in the face of the risks posed to Europe, more oil production from OPEC, and/or a short-term peace deal which lets Russian commodities back into the global market. The latter, though impossible to forecast, would be very positive for markets and would lead to a strong bounce. But the bounce may not last, because beyond any such short-term relief the Fed will still have to cope with the inflationary pressures which preceded the War. Many of these now look structural and may prove harder to suppress than the market currently expects – for example, under-investment in Europe in traditional energy looks to have created a structural "energy gap"; labour shortages in advanced economies deriving from early retirement and the shutdown of immigration are pushing wages up; moves by Western companies to diversify away from China post Covid threaten permanently to raise production costs for multiple goods even as "supplier concentration risk" declines.

No-one knows how far or how fast, but it's certain US interest rates will rise. Coupled with the instability accompanying the Ukraine war, this has

driven a continued severe derating on Nasdaq over the last month, and some of our "high PE", quality growth names have followed suit. There is a risk this derating, which is now underpinned by multiple sources of uncertainty, will continue; especially if the Fed hikes by more than is currently factored in. As such we have reduced and/ or exited some of our holdings in the tech and quality growth space, reallocating into

stocks and sectors where multiples are less demanding, and/ or more likely to benefit from inflation.

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



EIGHT INVESTMENT PARTNERS

8IP is a boutique investment group with offices in Brisbane and Sydney. 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 above the 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 07 3155 6509 or emailing them at 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."