



# 8IP AUSTRALIAN SMALL COMPANIES FUND

Fund Update: October 2022

## KEY FACTS

<b>INCEPTION DATE</b>	Current Portfolio Team commenced 1/10/2012
<b>NO OF STOCK HOLDINGS</b>	52
<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 31/10/2022</b>	Buy Price: \$0.7189 Sell Price: \$0.7153

## 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 8.45% per annum, outperforming by 3.26% p.a.**

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

## Commentary

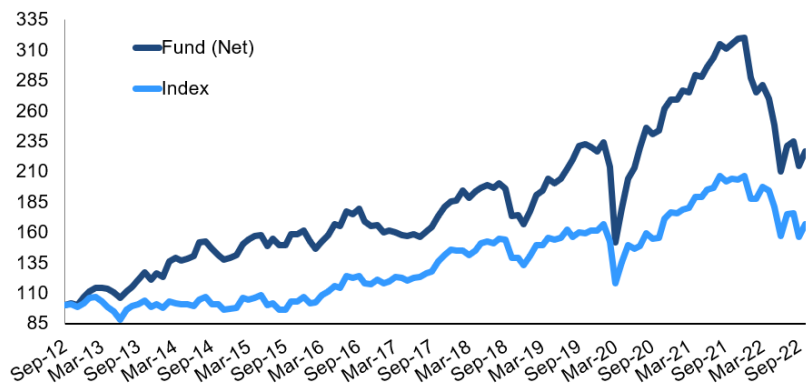
October saw local and global equity markets (ex. HK/China) rebound following a weak September. The fund returned +5.28% after fees, -1.17% against the benchmark which posted a return of +6.46%. Our best performers were Life360, HUB24 and PWR Holdings.

Life360 (360, +39.60%) traded positively throughout the month, particularly after announcing price increases on their premium monthly plans. Whilst the benefit is not expected this calendar year, demonstrating pricing power with limited churn is impressive in the current environment.

HUB24 (HUB, +21.48%) reported strong numbers for their first quarter of fiscal

## PERFORMANCE

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



Note: Returns sourced from 8IP and S&P/ASX as on 30/09/2022 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)	5.28%	-2.01%	-16.09%	-28.12%	-0.91%	5.44%	8.45%
S&P/ASX Small Ordinaries Accumulation Index	6.46%	-4.91%	-14.36%	-18.31%	1.46%	4.16%	5.19%
Active Return (net of fees)	-1.17%	2.90%	-1.72%	-9.81%	-2.37%	1.28%	3.26%

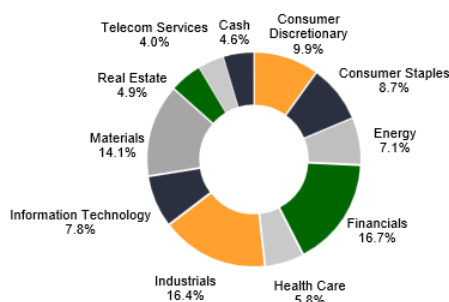
Net of fees returns is the Fund return after the deduction of ongoing fees and expenses based on end of month redemption prices assuming the reinvestment of all distributions. Past performance is not an indicator of future performance. Returns for periods of one year or more are annualised.

## TOP HOLDINGS

## Top 5 Holdings (Alphabetical)

Charter Hall Long Wale
QQG Partners
HUB24
Life360
Pro Medicus

## SECTOR ALLOCATION



Source: 8IP and Bloomberg.

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

## 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.

year 2023. The company recorded \$3.0bn of net flows, outperforming peers. The result was impressive given it was delivered during a volatile period for investment markets. Additionally, the company was able to negotiate better than expected terms with new cash deposit partner Bank of Queensland.

PWR Holdings (PWH, +18.65%) recovered after being sold off late the previous month, ostensibly on currency volatility. The main perceived headwind was a depreciating British pound (GBP); however, this volatility has stabilised, and we note that the company hedges its exposure. The core business remains strong.

Megaport (MP1, -21.82%) was weak following the release of its first quarter result. The business continues to grow strongly, but the market's focus was on an unexpectedly higher capital expenditure spend for 2023 and the potential impact of weakening macro.

Eclix (ECX, -16.44%) fell on no company specific news. The stock may find a more positive direction post the reporting of the company's Fiscal Year 2022 results due out early November. The on-market share buy-back will also be resumed following this result.

loneer (INR, -12.60%) traded weaker throughout the month as the market awaits news on the re-submission of the company's Plan of Operations to the US Bureau of Land Management (BLM). The asset is exceptional and we expect regulatory issues will resolve.

## Outlook

Last month we spoke to the influence of various, obvious macroeconomic factors globally on investor sentiment. This has led to highly defensive investor positioning; during October, as inflation showed signs of slowing, the market started to believe in the possibility of an earlier 'pivot' of central bank policy. The Reserve Bank of Australia (RBA) and Bank of Canada (BOC), both increased rates less than expected. Another incremental positive are US corporate earnings which have remained resilient, supporting equity valuations.

Looking forward, the Fed is expected to raise rates by 50 bps in December, and likely again, but by smaller increments, into early 2023. Markets are still very cautiously positioned, and fund manager weightings suggest an expectation that a recession will impact corporate earnings in 2023. Nonetheless, lead indicators are clearly suggesting inflation has peaked, leaving a break in US unemployment as the "last shoe to drop". We are managing the portfolio cautiously, continuing to hold high quality stocks, but with an eye to valuation-driven buy opportunities and watching for signs of a change in market sentiment as the pace of change in rate rises falls. We expect inflation to fall in 2023 and markets to rebound.

## Stephen Walsh

Chief Investment Officer

## KEY FUND INFORMATION

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

## FUND IDENTIFIERS

**ARSN:** 143 454 013

## FEES

<b>Management Costs:</b>	0.95% p.a. including GST
<b>Performance Fee:</b>	20% over hurdle
<b>Minimum Investment:</b>	\$5,000



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](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."