

Kerry Series, Principal & CIO  
Stephen Walsh, Principal & Portfolio Manager

August 2017



8IP Emerging Companies (8EC)

Investor Update

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Eight Investment Partners Pty Ltd  
ABN 22 139 616 783  
AFSL 342 305

**8EC is a listed investment company focused primarily on ASX-listed emerging companies (typical market cap <\$500m) with the ability to hedge market risk**

Key data	31 July 17
Market Capitalisation	\$36.9m
Share price	\$0.9000
Pre-tax NTA June 2017*	\$1.0702
FY 2017 Interim Fully Franked Dividend	\$0.01

\* The Manager estimates gross performance in July 2017 was -0.2% (See ASX release dated 1 August 2017 for details). 8EC also holds a convertible note representing 2.3% of gross asset value. It is presently valued at face value. The ASX share price of the underlying equity was higher than the conversion price and if recognised at 31 July 2017, the cumulative portfolio performance would be increased by +2.4%.

## Key features:

- Specialist management
- Experienced portfolio managers
- Majority independent Board
- Concentrated strategy
- Limited capacity
- Focus on stars, turnarounds, under-researched stocks

# Key investment decisions (past 12 months)

Date	Decision
Aug 16	Put on index hedge (c. 34% of portfolio value)
Sep 16	Removed index hedge following market decline
Dec 16	Increased cash exposure (as a result of options exercise)
Dec 16	Converted Freedom Insurance notes into equity at IPO
Feb 17	Announced Maiden Dividend of 1c
Mar 17	Acquired convertible note over listed equity in GraphiteCorp (now Novonix)
May 17	Converted MSL Solutions notes into equity at IPO

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# Contributors to return/Top 10 Holdings

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Top 5 stocks	CTR (%)*
Freedom Insurance	9.2
Pilbara Minerals	6.2
Vita Group	3.4
Gascoyne Resources	3.2
Skydive the Beach	2.5

\* Since inception to 31 July 2017

Bottom 5 stocks	CTR (%)*
Rhipe	-3.7
Yowie Group	-3.1
Empired	-2.6
Black Rock Mining	-2.3
Automotive Solutions	-2.0

\* Since inception to 31 July 2017

July Top 10 Holdings
Freedom Insurance
Cooper Energy
MSL Solutions
Skydive the Beach
Red River Resources
Gascoyne Resources
Zenitas Healthcare
Kangaroo Island Plantation
BIG Un Ltd
Breaker Resources

# Market exposure (at 31 July 17)

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Asset	Weight (%)
ASX-listed equities	81.2
Unlisted equities	1.2
Convertible notes	2.3
Cash	15.3
Index hedge (short)	0.0
<b>Net market exposure*</b>	<b>82.3</b>

\* Listed and unlisted equities minus index hedge

Sector	Weight (%)
Materials	22.3
Information Technology	18.1
Energy	12.3
Financials	11.8
Health Care	9.4
Consumer Discretionary	8.5
Consumer Staples	1.2
Utilities	0.9
Industrials	0.1
<b>Cash</b>	<b>15.3</b>



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## Appendix

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# About the Manager

- Eight Investment Partners (“8IP”) is the Manager of the 8IP Emerging Companies listed investment company (“LIC”)
- 8IP is a specialist small companies investment manager with in excess of \$200m in funds under management and is 100% owned by its staff
- The LIC is managed by Kerry Series and Stephen Walsh, who are both experienced investment professionals
- Kerry Series and Stephen Walsh manage the 8IP Australian Small Companies Portfolio, which has a similar “concentrated strategy” as the LIC
- Our investment process is focussed on “stars”, “turnarounds” and “under-researched” stocks

# Key features

- **Concentrated approach:** The investment strategy is to invest in a concentrated portfolio of typically 20-30 primarily ASX-listed companies
- **Small companies:** The main focus is companies with market capitalisations typically in the range of \$20m to \$500m
- **Ability to hedge market risk:** May hold up to 20% cash and derivatives may be used to hedge market risk up to 80% of NTA
- **Limited Capacity:** This approach is constrained by the liquidity of portfolio stocks
- **SIV Compliant:** At the date of this presentation, the investment guidelines meet the Emerging Companies Investment Requirements and the Manager's total amount of FUM meet the relevant requirements.



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Board Member	Background	Independent
<p><b>Jonathan Sweeney</b> Chairman, Non-executive independent Director</p>	<ul style="list-style-type: none"> <li>• Portfolio Manager, Gartmore &amp; Armstrong Jones</li> <li>• Managing Director, Trust Company</li> <li>• Co-founder, Equity Real Estate Partners (now Folkestone)</li> </ul>	Yes
<p><b>Tony McDonald</b> Non-executive independent Director</p>	<ul style="list-style-type: none"> <li>• Senior positions, Jardine Fleming (HK) &amp; Pacific Mutual</li> <li>• Co-founder, Snowball Group</li> <li>• Founder, T&amp;C Consulting</li> </ul>	Yes
<p><b>Kerry Series</b> Executive non-independent Director</p>	<ul style="list-style-type: none"> <li>• Co-founder, Perennial Investment Partners</li> <li>• Head of Asia Pacific Equities, AMP Capital</li> <li>• Investment Director, HSBC Asset Management</li> </ul>	No


# Portfolio managers

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Portfolio Manager	Background	Years in Industry
<p><b>Kerry Series</b> B.Econ, CIMA</p> 	<ul style="list-style-type: none"> <li>• <b>Co-founder of Perennial Investment Partners</b> <ul style="list-style-type: none"> <li>➤ Strong investment performance</li> <li>➤ Firm reached \$20bn FUM within 8 years</li> </ul> </li> <li>• <b>Head of Asia Pacific Equities at AMP Capital</b> <ul style="list-style-type: none"> <li>➤ Responsible for 3 equity teams, with assets under management of c. \$5bn</li> </ul> </li> <li>• <b>Investment Director, HSBC Asset Management</b> <ul style="list-style-type: none"> <li>➤ Based in Hong Kong</li> </ul> </li> </ul>	<p>30</p>
<p><b>Stephen Walsh</b> BA, MA, MBA</p> 	<ul style="list-style-type: none"> <li>• <b>Head of Research, Wilson HTM</b> <ul style="list-style-type: none"> <li>➤ Head of Research at a Australian small companies specialist stockbroker</li> </ul> </li> <li>• <b>Divisional Director, Macquarie Equities</b> <ul style="list-style-type: none"> <li>➤ Head of Australian Banks research</li> </ul> </li> <li>• <b>Analyst, Credit Lyonnais Indosuez WICarr</b> <ul style="list-style-type: none"> <li>➤ Head Consumer Analyst based in Singapore</li> </ul> </li> <li>• <b>Corporate Strategy Consultant, LEK Consulting</b></li> </ul>	<p>29</p>

# Experienced management team

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Business Management	Background	Years in Industry
<p><b>Rick Steele, CEO</b> MEc, SF Fin</p> 	<ul style="list-style-type: none"><li>• <b>CEO, TechInvest</b><ul style="list-style-type: none"><li>➤ Specialist global equity manager</li></ul></li><li>• <b>Head of Institutional Operations, BT Funds Management</b><ul style="list-style-type: none"><li>➤ Responsible for the day-to-day operations of the institutional asset management business</li></ul></li><li>• <b>Fixed Income and Foreign Exchange Manager</b><ul style="list-style-type: none"><li>➤ BT, Morgan Grenfell, Prudential</li></ul></li></ul>	34
<p><b>Gary Cullen</b> <b>Head of Risk and Operations</b> BBS</p> 	<ul style="list-style-type: none"><li>• <b>AMP Capital</b><ul style="list-style-type: none"><li>➤ Headed investment management system implementation team</li></ul></li><li>• <b>JP Morgan</b><ul style="list-style-type: none"><li>➤ Headed performance and risk analytics team</li></ul></li><li>• <b>Irish Stock Exchange</b></li><li>• <b>INVESCO Asset Management</b></li></ul>	18

- We believe that equity markets are inefficient due to behavioural factors. In order to exploit these inefficiencies, we focus on 3 key types of stocks:
  - **“Sustainable high achievers” (“Stars”)**
    - Possess a multi-year competitive advantage
    - Not recognised or under-appreciated by other investors
    - Likely that consensus earnings expectations are too low
  - **“Turnarounds” situations**
    - Financial and share price performance has previously deteriorated but a positive change has occurred
    - Other investors have under-reacted to the change
  - **Under-researched stocks**
    - Current valuation does not reflect the growth potential due to the early stage of the business or lack of research coverage by brokers

## Ability to hedge market risk:

- Up to 20% in cash
- Derivatives for hedging purposes only up to 80% of NTA
  - Example: buying put options over S&P / ASX 200 Index
  - Example: selling index futures over S&P / ASX 200 Index

## Typical application of hedging strategy:

- After periods of positive returns for the portfolio
- The Manager expects the general market environment to deteriorate

Note: It is expected that the Portfolio will be largely or completely unhedged most of the time

# Key information

Feature	Detail
Company	8IP Emerging Companies
Manager	Eight Investment Partners Pty Limited (8IP)
Share price (IPO)	\$1.00
Gross Asset Value	\$43.6 million
Fees (excl GST)	1.25% management fee + 20% of performance above benchmark
Benchmark	RBA cash rate + 2% per annum
Accountants and Auditor	Pitcher Partners (formerly Moore Stephens)
Administrator and Custodian	White Outsourcing
Share registry and company secretary	Boardroom

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# Investment guidelines

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Feature	Detail
Holdings	Typically 20-30 ASX-listed securities (minimum 20, maximum 45)
Market capitalisation	Predominantly invested in companies with market capitalisation below \$500m at time of purchase (with up to 30% in previously held companies where the capitalisation is above \$500m)
Individual stock weight	Maximum 10% at time of purchase
Cash	Up to 20%
Derivatives	Underlying exposure of up to 80%
Sector exposures	No limits
Unlisted securities (pre-IPO)	Up to 20% where the Manager expects ASX listing within 6 months
Overseas securities	Up to 10% may be invested in securities listed on foreign stock exchanges

# Disclaimer – 8IP Emerging Companies

*This presentation was prepared by Eight Investment Partners Pty Limited (ABN 22 139 616 783, AFSL 342 305) as the Manager for the 8IP Emerging Companies listed investment company ("8EC"). 8EC was admitted to the official list of ASX Limited on Tuesday 1 December 2015.*

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