



# Small Companies Fund Monthly Report

## August 2011

### Portfolio Performance and Strategy

August proved to be one of the more volatile months for equity markets in recent memory, reflecting an increasing lack of confidence in governments being able to orchestrate sustainable recovery programmes from their current fiscal positions. The protracted debate around the US debt ceiling, the subsequent Standard & Poors US Credit downgrade and lack of consensus on how to deal with European sovereign debt significantly impacted on investor confidence in August. These concerns were amplified by a number of disappointing economic stats released during the month. Equity markets bore the brunt of the increasing risk aversion, with investors dumping shares globally and fleeing to bonds and gold. Investors were also digesting the plethora of earnings reports released during the August reporting period. The key message from the season was one of stronger than

### Unit Price as at 31 August 2011

Application	\$1.6697
Redemption	\$1.6564
Fund Size	\$570 million
No. of stocks in portfolio	45

expected sales growth offset by declining margins (higher operating costs and stronger AUD). While outlook commentaries were deferred until the AGM season (late 2011), capital management initiatives (buy-backs) increased and dividends were ahead of consensus (higher payout ratios) reflecting the strength in corporate balance sheets. A theme from reporting season was the continued strength of mining services companies, which shone from the plethora of work continuing from the mining boom. Corporate activity continued at pace with 7 bids announced during the month, all within the Resources sector. Notable was the Rio Tinto/Mitsubishi bid for the balance of Coal and Allied (CNA) they did not

### Performance Statistics to 31 August 2011

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
<b>EGG Small Companies Fund</b>	-0.83%	-4.79%	+8.67%	+4.74%	+5.65%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	-2.69%	-6.34%	+7.24%	-1.81%	+0.29%
<b>Out performance</b>	<b>+1.86%</b>	<b>+1.55%</b>	<b>+1.43%</b>	<b>+6.55%</b>	<b>+5.36%</b>

\* Fund returns are calculated before fees are deducted.

already own valuing the company at over \$10.8Bn (EGG held 2.1% of the portfolio in CNA). Domestic economic data released in August continued to highlight emerging softness in the non-mining segments of the economy. The RBA left rates on hold at 4.75% and removed the tightening bias in its minutes. Our cash levels closed August at just over 3%.

### Top 10 Stocks\*

	Portfolio Weight
1 Whitehaven Coal Limited	3.69%
2 Regis Resources Limited	3.69%
3 Campbell Brothers Limited	3.62%
4 Mount Gibson Iron Limited	3.52%
5 SAI Global Limited	3.50%
6 Gloucester Coal Ltd	3.16%
7 NRW Holdings Limited	3.12%
8 Flight Centre Limited	3.09%
9 PanAust Limited	3.08%
10 Aurora Oil & Gas Limited	3.05%
<b>Top 10 Stocks</b>	<b>33.52%</b>
<b>Other Stocks</b>	<b>62.89%</b>
<b>Cash</b>	<b>3.59%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 31<sup>st</sup> July 2011

### Attribution

The portfolio was overweight 4 of the index's top 10 performing stocks (by index point contribution) being Perseus Mining (+16.13%), Alacer Gold Corporation (+16.40%), Monadelphous Group (+6.27) and Carsales.com (+8.26%). The portfolio was overweight 1 of the index's bottom 10 performing stocks (by index point contribution) being Aurora Oil & Gas (-10.09%).

### Portfolio Changes

**Additions:** Macmahon Holdings (tactical).

**Deletions:** APN News & Media (company review) and Platinum Asset Management (company review).

### Market Sector Exposure\*

	Fund %
Materials	28.5%
Energy	15.1%
Industrials	22.1%
Consumer Disc	13.8%
Healthcare	0.7%
Consumer Staples	1.9%
Financials	6.9%
Information Tech	5.1%
Telecoms	2.5%
Utilities	0.0%
Property Trusts	0.0%
Cash	3.4%
<b>Total</b>	<b>100%</b>

### Eley Griffiths Group ratings

Rating Company	Rating
Morningstar	Highly Recommended Highest Rating
Standard & Poor's	★★★★★ - 5 stars Highest Rating
Lonsec	Recommended 2 <sup>nd</sup> Highest Rating
Zenith	Highly Recommended Highest Rating
van Eyk	A rating Second Highest Rating

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