



# Small Companies Fund

## Monthly Report

### August 2012

#### Portfolio Performance and Strategy

Small Cap investors turned their attention from macro influences to stock fundamentals, as the full year reporting season got underway during August. Investors were met with a raft of results which rewarded genuine outperformance versus expectations, although the majority of outlook commentaries from companies were cautionary. Many pointed to tough trading conditions and limited earnings visibility. The resource space came in for particular attention, especially as iron ore and met coal prices fell materially in response to soft steel demand and destocking from Chinese steel mills. These factors coupled with generally soft global economic growth saw several resources companies pull back and/or defer proposed mining investments. As the month drew to a close Ben Bernanke stressed the need for more stimulus to the

#### Unit Price as at 31 August 2012

Application	\$1.6253
Redemption	\$1.6146

Fund Size	\$475million
No. of stocks in portfolio	46

US economy, aka QE3, prompting a spike in the gold price. Meanwhile a guidance cut from Borat Longyear saw mining services stocks tumble at month end. Domestic economic data was generally positive through the month, with unemployment remaining at a relatively healthy of 5.2%. The RBA left interest rates on hold but downgraded its FY14 GDP growth estimates by 0.5% and now explicitly forecasts a peak in mining investment. The A\$ reversed its recent upward trend, closing the month lower at US\$1.032 (-US1.8c). The Small Industrial Accumulation Index finished the month +3.35% continuing its outperformance over the Small Resources Accumulation Index up 1.99%, as risk was sold and

#### Performance Statistics to 31 August 2012

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
<b>EGG Small Companies Fund</b>	+1.38%	+3.15%	+1.38%	+6.69%	+0.28%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+2.95%	-2.16%	-11.08%	-0.69%	-7.47%
<b>Out performance</b>	<b>-1.57%</b>	<b>+5.31%</b>	<b>+12.46%</b>	<b>+7.38%</b>	<b>+7.75%</b>

\* Fund returns are calculated before fees are deducted.

defensives and yield names were bought. Merger and acquisition activity was still active in August with over 3 takeovers announced spread across a varied array of sectors. Our cash weighting sits at around 6% of the portfolio.

### Top 10 Stocks\*

	Portfolio Weight
1 iiNet Limited	3.83%
2 Adelaide Brighton Limited	3.76%
3 Northern Iron Limited	3.74%
4 SAI Global Limited	3.69%
5 InvoCare Limited	3.60%
6 FlexiGroup Limited	3.42%
7 Mermaid Marine Australia Ltd	3.38%
8 Fleetwood Corporation Ltd	3.35%
9 Carsales.Com Limited	3.31%
10 SMS Management & Tech.	3.29%
<b>Top 10 Stocks</b>	<b>35.37%</b>
<b>Other Stocks</b>	<b>58.27%</b>
<b>Cash</b>	<b>6.36%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 31<sup>st</sup> July 2012

### Attribution

The portfolio was overweight 4 of the index's top 10 performing stocks (by index point contribution) being Carsales.com (+15.37%), Aristocrat Leisure (+12.71%), Flight Centre (+12.58%) and Mermaid Marine (+18.32%). The portfolio was overweight 4 of the index's bottom 10 performing stocks (by index point contribution) being Adelaide Brighton (-13.10%), Ausdrill (-16.17%), NRW Holdings (-14.53%) and Fleetwood Corporation (-13.60%).

### Portfolio Changes

**Additions:** Henderson Group (company review), Perpetual (company review) and Silver Lake (company review).

**Deletions:** Nil.

### Market Sector Exposure\*

	Fund %
Materials	23.9%
Energy	7.3%
Industrials	19.0%
Consumer Disc	22.5%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	10.8%
Information Tech	5.3%
Telecoms	3.8%
Utilities	1.0%
Property Trusts	0.0%
Cash	6.4%
<b>Total</b>	<b>100%</b>

### Eley Griffiths Group ratings

Rating Company	Rating
Standard & Poor's	★★★★ - 4 stars 2 <sup>nd</sup> Highest Rating
Lonsec	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating
Zenith	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating
van Eyk	<b>Rated</b> Refer iRate

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