



Small Companies Fund

Monthly Report

December 2012

Portfolio Performance and Strategy

Despite the spectre of the US “Fiscal Cliff”, it was further evidence of a recovery in China that saw Australian equities rebound strongly in December. A 25% increase in spot iron ore prices for the month (now up ~70% from its September lows), and China manufacturing PMI reaching a 14-month high saw the benchmark S&P ASX Small Ordinaries Accumulation Index rise by 3.23% for the month. The Eley Griffiths Group Small Companies Fund modestly outperformed the benchmark pre fees for December. Improved sentiment towards future capital spend of the major iron ore players fuelled a strong recovery across the mining services sector, after four consecutive months of underperformance. The rally did not translate to small resources stocks however, with the Small Industrials Accumulation Index outpacing the Small

Unit Price as at 31 December 2012

Application	\$1.7503
Redemption	\$1.7388

Fund Size	\$480million
No. of stocks in portfolio	51

Resources Accumulation Index by 7.29%, with gold equities notable underperformers. Early stage cyclical stocks, particularly housing-related names, were again firm. As a further sign of renewed risk appetite, a number of capital raisings were completed in December. Domestically, economic data was weak. Australian unemployment fell to 5.2% (from 5.4%), but driven by a fall in the participation rate. 3Q12 GDP growth was below consensus at 0.5% qoq, with a notable decline in government spending. The RBA also lowered the official rate a further 25bps to 3% (its lowest level since April 2009). Our cash weighting remains at around 4% of the portfolio.

Performance Statistics to 31 December 2012

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
EGG Small Companies Fund	+3.20%	+4.19%	+18.41%	+4.40%	-0.39%
S&P/ASX Small Ordinaries Accumulation Index	+3.23%	+2.04%	+6.58%	-1.82%	-6.94%
Out performance	-0.03%	+2.15%	+11.83%	+6.22%	+6.55%

* Fund returns are calculated post fees.

Top 10 Stocks*

	Portfolio Weight
1 Mermaid Marine Australia	4.22%
2 iiNet Limited	4.05%
3 InvoCare Limited	3.98%
4 Sandfire Resources NL	3.88%
5 Super Retail Group Limited	3.77%
6 Ardent Leisure Group	3.63%
7 SAI Global Limited	3.32%
8 FlexiGroup Limited	3.32%
9 Flight Centre Limited	3.21%
10 Aurora Oil & Gas Limited	3.18%
Top 10 Stocks	36.56%
Other Stocks	58.16%
Cash	5.28%
Total	100%

*For the Small Companies Fund as at 30th November 2012

Attribution

The portfolio was overweight 5 of the index's top 10 performing stocks (by index point contribution) being Ausdrill (+31.63%), GWA Group (+35.29%), Perpetual (+11.24%), Henderson Group (+9.92) and Super Retail Group (+11.45%). The portfolio was overweight 1 of the index's bottom 10 performing stocks (by index point contribution) being Northern Star Resources (-8.86%).

Portfolio Changes

Additions: BC Iron (company review), Charter Hall Retail (tactical), Nufarm (tactical), Trade Me Group (company review) and Wotif.com (company review).

Deletions: Carsales.com (ASX100 inclusion) and Flight Centre (ASX100 inclusion).

Market Sector Exposure*

	Fund %
Materials	26.1%
Energy	8.9%
Industrials	13.7%
Consumer Disc	19.6%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	15.9%
Information Tech	3.3%
Telecoms	6.1%
Utilities	1.1%
Property Trusts	0.0%
Cash	5.3%
Total	100%

Eley Griffiths Group ratings

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

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