



Small Companies Fund

Monthly Report

May 2012

Portfolio Performance and Strategy

Global stock and commodity markets stalled in the first week of May as concerns over a deteriorating Greek political situation catalysed across the board profit taking. Risk appetite was further dampened with an urgent partial nationalisation of Spain's 4th largest bank being announced. Significantly, the ASX200 failed to break an important technical level (4414) thus confirming a corrective phase of the market had commenced. Continuing the trend of April, a number of small companies guided FY12 earnings estimates lower with consumer discretionary stocks leading this move. Merger and acquisition activity gathered pace in May with 7 bids unveiled, 4 of them mining or mining related. Again the small industrials outpaced small resource companies, as doubts about the strength of global economies resurfaced.

Unit Price as at 31 May 2012

Application	\$1.6262
Redemption	\$1.6132
Fund Size	\$489million
No. of stocks in portfolio	46

Commodities of all ilk were savaged. Oil sold off 17%, Copper was lower by 11% and gold fell 6%. A search for an investment 'safe harbour' saw the US dollar rally and US 10 yr & 30 yr bonds trade to historic low yields; these are not sustainable in our view. Local stock market investors continue to seek out defensive, earnings certain, high yielding stocks both large and small cap. Utility, Telco and Property related stocks were in demand, funded by selling in resource and mining services names.

Small cap valuations remain attractive but will remain pressured in the short term whilst a liquidity hunt ensues. Our cash

Performance Statistics to 31 May 2012

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
EGG Small Companies Fund	-9.88%	-6.73%	-6.43%	+11.83%	-1.35%
S&P/ASX Small Ordinaries Accumulation Index	-10.22%	-10.88%	-14.88%	+6.15%	-7.98%
Out performance	+0.34%	+4.15%	+8.45%	+5.68%	+6.63%

* Fund returns are calculated before fees are deducted.

weighting reflects this uncertainty and remains around 6% of the portfolio.

Top 10 Stocks*

	Portfolio Weight
1 SAI Global Limited	4.38%
2 Aurora Oil & Gas Limited	4.00%
3 Ausdrill Limited	3.65%
4 NRW Holdings	3.48%
5 Mermaid Marine Australia	3.40%
6 Fleetwood Corporation	3.31%
7 iiNet Limited	3.28%
8 Adelaide Brighton Limited	3.02%
9 Super Retail Group	3.00%
10 Carsales.com.au Limited	2.97%
Top 10 Stocks	34.49%
Other Stocks	59.26%
Cash	6.25%
Total	100%

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

Attribution

The portfolio was overweight none of the index's top 10 performing stocks (by index point contribution). The portfolio was overweight 3 of the index's bottom 10 performing stocks (by index point contribution) being Aurora Oil & Gas (-17.59%), Ausdrill (-19.51%) and NRW Holdings (18.34%).

Portfolio Changes

Additions: SP AusNet (tactical), Senex Energy (tactical), Cabcharge Limited (valuation)

Deletions: Campbell Brothers (valuation), McMahon Holdings (tactical).

Market Sector Exposure*

	Fund %
Materials	22.2%
Energy	9.8%
Industrials	20.6%
Consumer Disc	20.6%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	11.0%
Information Tech	5.0%
Telecoms	3.7%
Utilities	1.0%
Property Trusts	0.0%
Cash	6.1%
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	A rating Second Highest Rating

DISCLAIMER: This report was prepared by Eley Griffiths Group Pty Limited, AFSL No: 224818. This is general advice only and has been prepared without taking into account your particular objectives, financial circumstances and needs. Before making any decision based on this report, you should assess your own circumstances or consult a financial planner. You should obtain and consider a copy of the product disclosure statement relating to the Eley Griffiths Group Small Companies Fund, before acquiring the financial product. You may obtain a product disclosure statement from your financial planner. To the extent permitted by law, Fundhost Limited nor Eley Griffiths Group Pty Limited, its employees, consultants, advisers, officers and authorized representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this report.