



Small Companies Fund

Monthly Report

May 2013

Portfolio Performance and Strategy

Investors were greeted in May with a slew of profit warnings concentrated in the domestic cyclicals and mining service sectors. This was driven by weak domestic macro data (particularly building approvals and consumer confidence) and a continued pull back in mining investment. The month was a tale of two halves; at the start investors were still happy to chase high PE and dividend yielding stocks while in the latter stages they had turned tail mainly due to the valuation dispersion between the banks and miners being pushed to its extremes (although the small resources still underperformed the small industrials), combined with a break down in the AUDUSD and rising bond yields. The RBA surprised the market with a rate cut early in May pushing the cash rate to a record low of 2.75%, and the AUD retraced to a 20 month low of US\$0.954

Unit Price as at 30 April 2013

Application	\$1.7529
Redemption	\$1.7413

Fund Size	\$463 million
No. of stocks in portfolio	49

intra month. Expectations still remain that at least 1 to 2 more rate cuts are to come this calendar year keeping the AUD capped for the time being and fuelling resurgence in USD sensitive and high yielding stocks. Investors crucified large and small mining service companies alike as one by one they announced downgrades to consensus earnings numbers and outlook statements. The noise coming from mining companies about scaling back projects, deferments and cancellations of projects are now a reality. Wealth management stocks found favour especially ones with offshore earnings. Our cash weighting finished the month at around 7.5% of the portfolio.

Performance Statistics to 31 May 2013

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
EGG Small Companies Fund	-3.04%	-4.65%	+10.93%	+6.33%	+0.84%
S&P/ASX Small Ordinaries Accumulation Index	-3.82%	-11.34%	-2.91%	-0.81%	-6.52%
Out performance	+0.78%	+6.69%	+13.84%	+7.14%	+7.36%

* Fund returns are calculated post fees.

Top 10 Stocks*

	Portfolio Weight
1 Super Retail Group Limited	4.92%
2 InvoCare Limited	4.27%
3 iiNet Limited	4.09%
4 Ardent Leisure Group	3.99%
5 Mermaid Marine Australia Ltd	3.72%
6 FlexiGroup Limited	3.67%
7 Henderson Group PLC.	3.66%
8 Perpetual Limited	3.46%
9 Platinum Asset Management	3.13%
10 Fletcher Building Limited	3.11%
Top 10 Stocks	38.02%
Other Stocks	54.68%
Cash	7.30%
Total	100%

*For the Small Companies Fund as at 30th April 2013

Attribution

The portfolio was overweight 4 of the index's top 10 performing stocks (by index point contribution) being Henderson Group (+10.12%), Seven West Media (+10.00%), Kathmandu Holdings (+25.00%) and Perpetual (+5.12%). The portfolio was overweight 3 of the index's bottom 10 performing stocks (by index point contribution) being Super Retail Group (-16.19%), Fleetwood Corporation (-53.57%) and GWA Group (-17.76%).

Portfolio Changes

Additions: Dulux Group (company review), Macquarie Atlas Roads Group (valuation), MyState (valuation) and Tassal Group (company review).

Deletions: Fleetwood Corporation (company review), Northern Iron (company review) Northern Star (company review) and Papillion Resources (company review).

Market Sector Exposure*

	Fund %
Materials	5.4%
Energy	6.2%
Industrials	17.7%
Consumer Disc	32.1%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	21.2%
Information Tech	3.1%
Telecoms	5.2%
Utilities	0.0%
Property Trusts	1.8%
Cash	7.3%
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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