



Small Companies Fund

Monthly Report

May 2014

Portfolio Performance and Strategy

The age old market saying of ‘*sell in May and go away*’ which has correctly picked a selloff in equities in the month of May for the last 5 years came to an end in 2014. This uncharacteristic positive performance was helped by the continued talk of accommodative policy by Central Bankers in the US and Europe and a spate of large international M&A deals across multiple sectors. These factors combined to lead the S&P500 and Dow Jones benchmarks to record highs and some European markets to fresh 6 year highs. The Small Ordinaries Index closed in the black on the back of positive momentum in resource names. The Small Resources Accumulation Index benefitted from the continued rally in the LME Nickel spot price adding over 5% for the month, while withstanding the pull back in iron ore spot price falling ~11%. Corporate activity

Unit Price as at 31 May 2014

Application	\$1.9660
Redemption	\$1.9558
Fund Size	\$469 million
No. of stocks in portfolio	54

continued to be strong during May with over 5 deals announced across numerous sectors in our end of the market. PanAust was the index best performing stock (of which your manager is a holder) after notifying the market it had received a proposal to be acquired by a Chinese SOE. The Small Industrials underperformed due to profit warnings in the biotech and mining service names, while retailers also came under pressure on two fronts. The first being a mild start to the winter season and the second consumer confidence falling sharply post the federal budget. Consumer confidence is now almost 16% lower than it was around the Federal election in September 2013 and more than 9% lower than just

Performance Statistics to 31 May 2014

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
EGG Small Companies Fund	+0.17%	-0.59%	+14.88%	+5.61%	+11.45%
S&P/ASX Small Ordinaries Accumulation Index	+0.08%	-2.31%	+6.20%	-4.25%	+4.28%
Out performance	+0.09%	+1.72%	+8.68%	+9.86%	+7.17%

* Fund returns are calculated post fees.

prior to when the RBA last cut rates in August 2013. The IPO market continues unabated with positive debuts for the majority of new stocks. Our cash weighting finished the month at around 4%.

Top 10 Stocks*

	Portfolio Weight
1 Ardent Leisure Group	3.70%
2 Fletcher Building Limited	3.69%
3 IRESS Limited	3.64%
4 iiNet Limited	3.58%
5 CSR Limited	2.99%
6 FlexiGroup Limited	2.95%
7 Independence Group NL	2.91%
8 Platinum Asset Management	2.80%
9 Macquarie Atlas Roads	2.80%
10 Skilled Group Limited	2.74%
Top 10 Stocks	31.80%
Other Stocks	59.58%
Cash	8.62%
Total	100%

*For the Small Companies Fund as at 30th April 2014.

Attribution

The portfolio was overweight 2 of the index's top 10 performing stocks (by index point contribution) being PanAust (+37.07%) and Sirius Resources (+18.22%). The portfolio was overweight 6 of the index's bottom 10 performing stocks (by index point contribution) being Fletcher Building (-9.59%), Super Retail Group (-10.33%), CSR (-6.03%), Flexigroup (-11.14%), BC Iron (-19.45%) and Breville Group (-11.03%)

Portfolio Changes

Additions: OZ Minerals (tactical), Spotless Group Holdings (IPO), Western Areas (tactical) and Isentia Group (IPO).

Deletions: Meridian Energy (tactical), Mermaid Marine Australia (company review), STW Communications (company review), Aurora Oil & Gas (takeover completed) and Vocus Communications (tactical).

Market Sector Exposure*

	Fund %
Materials	10.9%
Energy	3.1%
Industrials	22.7%
Consumer Disc	20.4%
Healthcare	1.9%
Consumer Staples	1.3%
Financials	19.5%
Information Tech	3.7%
Telecoms	3.9%
Utilities	0.4%
Property Trusts	3.6%
Cash	8.6%
Total	100%

Eley Griffiths Group ratings

Rating Company	Rating
Morningstar September 2013	Silver 2 nd Highest Rating
Lonsec February 2014	Recommended 2 nd Highest Rating
Zenith March 2014	Recommended 2 nd Highest Rating
van Eyk	Rated Refer iRate

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