



Small Companies Fund

Monthly Report

October 2012

Portfolio Performance and Strategy

October brought the start of the AGM season which has seen a continued cautionary tone from most companies. However, against the broader easing in domestic financial conditions and a weak offshore earnings season, Australian equities significantly outperformed other regions (US -2.0%, Europe +1.2%, Asia ex Japan -0.9%). Globally the US 3Q earnings season has been mixed on disappointing revenue and average EPS results. Small resource stocks (ex oil and gas) surrendered ground following on from the strong showing in September. Gold, base metals and oil all traded lower during October and indifferent price action on the Shanghai Composite Index kept equity investors in check. Equities rallied this month on the back of increasingly accommodative financial conditions and renewed M&A activity, with 5 deals

Unit Price as at 31 October 2012

Application	\$1.7128
Redemption	\$1.7105
Fund Size	\$482million
No. of stocks in portfolio	47

announced in October. The RBA cut the cash rate by 25bp to 3.25% bringing financial conditions to their most accommodative since June 2010, as domestic economic data was generally weaker through the month. The unemployment rate rose to 5.4% (highest since 2009), while the Westpac-Melbourne Institute of Consumer Sentiment Index remains depressed (eighth consecutive month the index has been below 100). Our cash weighting sits at just below 6% of the portfolio.

Performance Statistics to 31 October 2012

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
EGG Small Companies Fund	+2.60%	+7.61%	+11.78%	+2.48%	-0.37%
S&P/ASX Small Ordinaries Accumulation Index	+1.31%	+8.85%	-2.49%	-5.40%	-8.23%
Out performance	+1.29%	-1.26%	+14.27%	+7.88%	+7.86%

* Fund returns are calculated before fees are deducted.

Top 10 Stocks*

	Portfolio Weight
1 Mermaid Marine Australia	3.84%
2 iiNet Limited	3.78%
3 Sandfire Resources NL	3.58%
4 InvoCare Limited	3.45%
5 SMS Management & Tech	3.38%
6 Alacer Gold Corp.	3.37%
7 Ardent Leisure Group	3.29%
8 Regis Resources Limited	3.14%
9 FlexiGroup Limited	3.13%
10 Aurora Oil & Gas Limited	3.04%
Top 10 Stocks	34.00%
Other Stocks	59.32%
Cash	6.68%
Total	100%

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

Attribution

The portfolio was overweight 3 of the index's top 10 performing stocks (by index point contribution) being Flight Centre (+12.76%), Super Retail Group (15.66%) and Flexigroup (22.98%). The portfolio was overweight 2 of the index's bottom 10 performing stocks (by index point contribution) being Alacer Gold Corp (-25.25%) and SMS Management (-20.95%).

Portfolio Changes

Additions: Nil.

Deletions: NRW Holdings (company review) and Wotif.com (company review).

Market Sector Exposure*

	Fund %
Materials	27.4%
Energy	8.0%
Industrials	15.2%
Consumer Disc	18.2%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	13.8%
Information Tech	5.5%
Telecoms	4.2%
Utilities	1.0%
Property Trusts	0.0%
Cash	6.7%
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
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