



# Small Companies Fund

## Monthly Report

### September 2012

#### Portfolio Performance and Strategy

Equity investors drew confidence from the announcement of several quantitative easing programmes announced across the globe in September. In the US, the Fed announced that it would continue “operation twist”, extending asset purchases in the agency mortgage-backed securities space and extended their low rate guidance to at least mid-2015. In Europe, the ECB announced secondary market purchases of government bonds issued by sovereigns that have previously asked for conditional financial assistance. In Japan, the BOJ increased its Asset Purchase Program budget by JPY10 trillion. The S&P ASX Small Ordinaries Accumulation Index rose by 4.37% for the month nicely outpacing the S&PASX 100 Accumulation Index which closed up almost 2%. This outperformance was on the back of a rally in small resource names

#### Unit Price as at 30 September 2012

Application	\$1.6799
Redemption	\$1.6689
Fund Size	\$485million
No. of stocks in portfolio	49

as the Small Resources Accumulation Index rose 14.95% trouncing the Small Industrials Accumulation Index down 0.04%. Equities were helped by recovering iron ore prices, an extension of the gold price rally and a resurrection of interest in LME traded metals. Domestic economic data was generally weaker through the month, while unemployment fell to 5.1%, this was driven by a fall in the participation rate to 65%. Interestingly, corporates continue to identify acquisition targets amongst listed small caps. Merger and acquisition activity stepped up a gear in September with 6 takeovers announced, 4 in the resource sector. Our cash weighting sits at around 6.5% of the portfolio.

#### Performance Statistics to 30 September 2012

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
<b>EGG Small Companies Fund</b>	+3.46%	+8.47%	+16.49%	+5.62%	+0.04%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+4.37%	+7.25%	+3.83%	-0.91%	-7.50%
<b>Out performance</b>	<b>-0.91%</b>	<b>+1.22%</b>	<b>+12.66%</b>	<b>+6.53%</b>	<b>+7.54%</b>

\* Fund returns are calculated before fees are deducted.

## Top 10 Stocks\*

	Portfolio Weight
1 Mermaid Marine Australia Ltd	3.91%
2 iiNet Limited	3.85%
3 Flight Centre Limited	3.72%
4 InvoCare Limited	3.66%
5 SMS Management Limited	3.52%
6 FlexiGroup Limited	3.37%
7 Sandfire Resources NL	3.30%
8 Adelaide Brighton Limited	3.28%
9 SAI Global Limited	3.15%
10 Super Retail Group Limited	2.96%
<b>Top 10 Stocks</b>	<b>34.72%</b>
<b>Other Stocks</b>	<b>59.15%</b>
<b>Cash</b>	<b>6.13%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 31<sup>st</sup> August 2012

## Attribution

The portfolio was overweight 1 of the index's top 10 performing stocks (by index point contribution) being Silver Lake (+22.56%). The portfolio was overweight 1 of the index's bottom 10 performing stocks (by index point contribution) being NRW Holdings (-17.00%).

## Portfolio Changes

**Additions:** Discovery Metals (company review), Independence Group (tactical), M2 Communications (company review) and Papillon Resources (tactical).

**Deletions:** Sedgman (company review).

## Market Sector Exposure\*

	Fund %
Materials	23.7%
Energy	7.8%
Industrials	17.1%
Consumer Disc	21.7%
Healthcare	0.0%
Consumer Staples	0.0%
Financials	13.0%
Information Tech	5.7%
Telecoms	3.9%
Utilities	1.0%
Property Trusts	0.0%
Cash	6.1%
<b>Total</b>	<b>100%</b>

## Eley Griffiths Group ratings

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

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