



# Small Companies Fund

## Monthly Report

### December 2014

#### Portfolio Performance and Strategy

The Eley Griffiths Group Small Companies Fund gained +1.29% net of fees in December outperforming by +0.82%.

The US share market finished the month flat masking volatile trading conditions.

The FOMC December Policy Statement signaled that the Fed can “be patient” in beginning to normalise interest rates, removing the long held reference to “considerable time” from its wording.

Investors read this positively pushing the SP500 up +5.5% in 5 trading days. A strong consumer confidence print (highest level since February 2008) and September GDP growth accelerating to an annualised rate of 5%, provided further impetus for the intra month rally. The Australian share market followed the positive US lead with the Small Ordinaries rallying +6.7% off its December 17 low. The Santa Claus Rally was sustained into yearend even as Small

#### Unit Price as at 31 December 2014

Application	\$1.9230
Redemption	\$1.9130
Fund Size	\$453 million
No. of stocks in portfolio	51

Resource names continued to underperform. This underperformance was lead by the Energy sector which finished the month down ~11% as Oil prices corrected ~20%. We remain significantly underweight this sector. The indices best performing sectors were the REIT's +4.9% on the back of falling bond yields and Financials +4.1% (predominately wealth managers with offshore earnings exposures). Healthcare also outperformed as the market continued to favour defensive names. The RBA kept cash rates on hold, however continued jaw boning from Glenn Stevens (about the overvalued AUD) and further conviction from the Australian Bond Market in pricing interest rate cuts in 2015 saw the AUD

#### Performance Statistics to 31 December 2014

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
<b>EGG Small Companies Fund</b>	+1.29%	-1.13%	+0.63%	+10.54%	+5.35%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	+0.47%	-3.89%	-3.81%	+0.58%	-2.01%
<b>Out performance</b>	<b>+0.82%</b>	<b>+2.76%</b>	<b>+4.44%</b>	<b>+9.96%</b>	<b>+7.36%</b>

\* Fund returns are calculated post fees.

trade to almost 5 year lows (USD0.8105). This was compounded by further USD strength (a trend we highlighted commenced in July 2014). A number of trading updates disappointed the market in December (Kathmandu, Alliance Aviation, Orotan and Vocation) and saw savage share price responses. There was no obvious theme to the downgrades with most being company specific. The Eley Griffiths Group Small Companies Fund outperformed its benchmark by +4.44% net of fees in Calendar 2014. Our cash weighting finished the month at around 10.5% and we maintain a defensive positioning.

#### Top 10 Stocks\*

	Portfolio Weight
1 IRESS Limited	3.84%
2 InvoCare Limited	3.80%
3 iiNet Limited	3.63%
4 Macquarie Atlas Roads	3.39%
5 Ardent Leisure Group	3.18%
6 Magellan Financial Group Ltd	3.07%
7 Slater & Gordon Limited	2.89%
8 Fletcher Building Limited	2.76%
9 Auckland International Airport	2.55%
10 Healthscope Limited	2.50%
<b>Top 10 Stocks</b>	<b>31.61%</b>
<b>Other Stocks</b>	<b>60.74%</b>
<b>Cash</b>	<b>7.65%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 30<sup>th</sup> Nov 2014.

#### Attribution

The portfolio was overweight 4 of the index's top 10 performing stocks (by index point contribution) being Magellan Financial Group (+15.06%), Qube

Holdings (+13.02%), Amcom Telecommunication (+27.95%) and IRESS (8.40%). The portfolio was overweight none of the index's bottom 10 performing stocks (by index point contribution).

#### Portfolio Changes

**Additions:** BWP Trust (company review) and Vocus Communications (company review).

**Deletions:** Lonestar Resources (tactical), Panoramic Resources (tactical), Sandfire Resources (company review) and Skilled Group (company review).

#### Market Sector Exposure\*

	Fund %
Materials	15.8%
Energy	3.8%
Industrials	15.5%
Consumer Disc	19.8%
Healthcare	6.7%
Consumer Staples	0.5%
Financials	15.7%
Information Tech	4.8%
Telecoms	3.4%
Utilities	0.0%
Property Trusts	5.8%
Cash	8.2%
<b>Total</b>	<b>100%</b>

#### Eley Griffiths Group ratings

Rating Company	Rating
<b>Morningstar</b> September 2014	<b>Silver</b> 2 <sup>nd</sup> Highest Rating
<b>Lonsec</b> February 2014	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating
<b>Zenith</b> March 2014	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating

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