



Small Companies Fund Monthly Report

May 2016

Portfolio Performance and Strategy

'Sell in May and go away' is an often implemented and successful investment strategy. This year however, it would have proven costly. Small Industrial stocks outperformed on weaker data in China combined with continued talk of lifting rates in the US halted the Resource sector outperformance that commenced in early February. The Small Companies Fund delivered a return of 6.66% for May, eclipsing the benchmark by 2.57%. Calendar year-to-date, the XSOAI is up 8.41%, nicely outpacing the ASX100 by over 5.1%. Strong results delivered by portfolio companies Eclipx Group (+21% for May) and Fisher & Paykel Healthcare (+18%), as well as a sharp post-budget rally in Smartgroup (+35%) contributed to returns. Renewable energy operator, Infigen Energy, was also a noteworthy performer; up 50% on rumoured M&A. Lithium stocks again continued the ascent.

Unit Price as at 31 May 2016

Application	\$2.2711
Redemption	\$2.2587
Fund Size	\$440 million
# of stocks in portfolio	57

Seemingly batteries have substituted babies (i.e infant formula) as the 'hot' investment theme in 2016. Our holding in Galaxy Resources benefitted as it seeks to consolidate ownership of the Mt Cattlin mine, bidding for JV partner General Mining. It is also around this time of year that Fund Managers get a little nervous as the slew of profit downgrades commence; May's contributors included 3P Learning, FlexiGroup, Beacon Lighting and SAI Global. We've had 102 small cap profit downgrades thus far in FY16, which is well above FY15 at the same stage but broadly in-line with FY14. History would suggest a further ~20% of downgrades occur between now and reporting season. We will be trading carefully in June.

Performance Statistics to 31 May 2016

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
EGG Small Companies Fund	+6.66%	+11.93%	+14.78%	+8.67%	+7.47%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+4.09%	+13.12%	+6.91%	+0.21%	+1.35%
Outperformance	+2.57%	-1.19%	+7.87%	+8.46%	+6.12%

* Fund returns are calculated post fees.

Attribution*

Our best performing stocks for the month; Our biggest detractors for the month;

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Eclipx Group 2. Fisher & Paykel Healthcare 3. Smartgroup | <ol style="list-style-type: none"> 1. OceanaGold 2. Ebos Group 3. A2 Milk Co. |
|---|--|

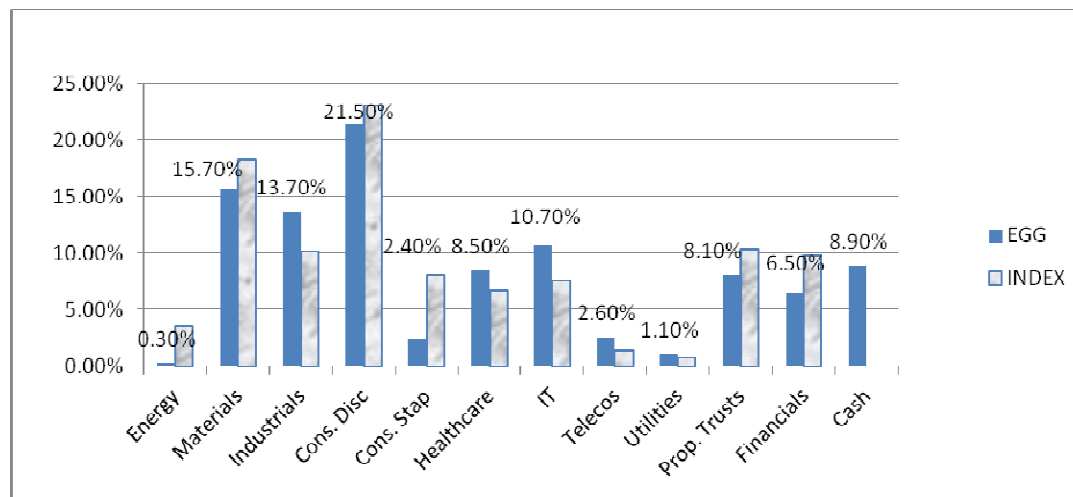
* In alphabetical order, as at 31 May

Top 10 Holdings*

Name	Industry
1. Astro Japan Property Group	REITs
2. APN Outdoor Group Limited	Consumer Discretionary
3. Burson Group Limited	Consumer Discretionary
4. BWP Trust	REITs
5. Fletcher Building Limited	Materials
6. IRESS Limited	Information Technology
7. Macquarie Atlas Roads Group	Industrials
8. Nufarm Limited	Materials
9. Steadfast Group Limited	Financials
10. Trade Me Group Limited	Consumer Discretionary

* In alphabetical order, as at 31 May

Eley Griffiths Group Small Companies Fund by Sector



Eley Griffiths Group Ratings

Morningstar March 2015 Zenith February 2016	Silver 2 nd Highest Rating Recommended 2 nd Highest Rating	Lonsec January 2016	Recommended 2 nd Highest Rating http://eleygriffiths.com.au/news-reports/
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