



Small Companies Fund

Monthly Report

July 2016

Portfolio Performance and Strategy

July was the strongest month for the XSOAI in 2 years. Noteworthy, was the breadth of the rally (87% of stocks in the benchmark posting gains) with both the resources and industrial components rallying in unison, something we did not see in FY16. It was clear Bulls were in control. What sparked this urgency for risk? Put simply, it appears a shock from the United Kingdom intensified investors' conviction that zero bound and negative interest rates are the new normal and that equities are the place to be. We don't disagree. However, at this point in the cycle, we do think careful consideration needs to be paid to where one is positioned *within* equities. In our view, the chase for yield appears to have extended itself too far in the short term. Accordingly, we have carefully trimmed our largest positions in the bond-like segment of the market (Infrastructure and REITS) as the risk of underperformance or capital loss has risen, at the very least complacency has. Potential value stocks have been stirring our interest all year and recent purchases of Ausdrill (+39%) and Mineral

Unit Price as at 31 July 2016

Application	\$2.3339
Redemption	\$2.3211
Fund Size	\$458 million
# of stocks in portfolio	56

Resources (+18%) in the mining services space rewarded our unit holders handsomely in July. Of course buying 'perceived' value stocks typically increases exposure to short-term earnings risk and Asaleo Care (-35%) provided a forceful reminder of this. Corporate activity featured in July and the portfolio benefited from RCG Corporation's acquisition of Hype DC. The acquisition further diversifies the group, adding scale (cost-savings) and vertical integration opportunities (brand cross-sell across retail formats). Smart Group continued its consolidation of the novated leasing space with the \$150m acquisition of Selectus. A concurrent strong trading update enabled the company to raise money at a 7% premium to its pre-deal price. Finally, Independence Group took advantage of a strong share price to raise \$250m and de-risk its balance sheet ahead of Nova-Bollinger commissioning later this year.

Performance Statistics to 31 July 2016

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
EGG Small Companies Fund	+7.72%	+14.85%	+27.43%	+11.24%	+8.08%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+8.57%	+11.52%	+22.29%	+2.38%	+1.98%
Outperformance	-0.85%	+3.33%	+5.14%	+8.86%	+6.10%

* Fund returns are calculated post fees.

Attribution*

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

- | | |
|-----------------------|-----------------------------|
| 1. APN Outdoor Group | 1. BT Investment Management |
| 2. Fletcher Building | 2. Galaxy Resources |
| 3. Independence Group | 3. OceanaGold Corporation |

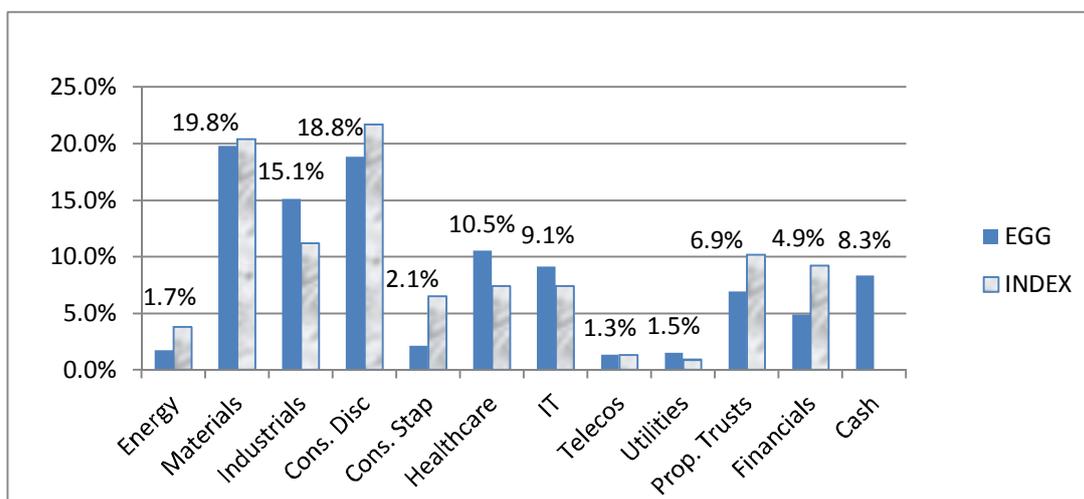
* In alphabetical order, as at 31 July

Top 10 Holdings*

Name	Industry
1. APN Outdoor Group	Consumer Discretionary
2. Burson Group	Consumer Discretionary
3. Evolution Mining	Materials
4. Fletcher Building	Materials
5. Independence Group	Materials
6. IRESS	Information Technology
7. Macquarie Atlas Roads Group	Industrials
8. Mayne Pharma	Healthcare
9. Steadfast Group	Financials
10. Trade Me Group	Consumer Discretionary

* In alphabetical order, as at 31 July

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 http://eleygriffiths.com.au/news-reports/	Recommended 2 nd Highest Rating
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