



Small Companies Fund

Monthly Report

August 2016

Portfolio Performance and Strategy

The Eley Griffiths Group Small Companies Fund outperformed by 0.77% in August. Two key events kept market participants occupied; data prints into US Fed Chair Janet Yellen's speech at Jackson Hole and the local reporting season. Expectations for a US rate hike in 2016 doubled by month's end (from 18% to 36%) making it tough for this year's better performing sectors like Healthcare (-5.9%), REITS (-3.8%) and Materials (-6.1%). Careful trimming of these exposures in July proved to be worthwhile. Reporting season saw a continuation of the trends seen in previous periods, with average weighted EPS downgrades of ~1.3% across our benchmark, with downgrades outstripping upgrades by 5:3. Only two sectors saw EPS upgrades; Industrials (+4.2%) and IT (+0.1%). Again expectations, more so than fundamental valuation considerations, was a major driver of share prices' post result.

Unit Price as at 31 August 2016

Application	\$2.3154
Redemption	\$2.3027
Fund Size	\$454 million
# of stocks in portfolio	59

Our tilt towards perceived value in select mining services exposures was rewarded. Holdings in Ausdrill (+61%), RCR Tomlinson (+24%) and Mineral Resources (+15%) were strong performers for the portfolio, having delivered robust outlooks and enjoying subsequent earnings upgrades. Our NZ-focused names (and Top 10 portfolio holdings) were also meaningful contributors, with Fletcher Building (+11%), Ebos (+10%) and Trade Me (+9%) continuing their run of outperformance. But you rarely escape a reporting season unscathed and this time around APN Outdoor (-35%) was the culprit, issuing a shock earnings downgrade (consensus positioning was for the opposite i.e. upgrades!).

Performance Statistics to 31 August 2016

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
EGG Small Companies Fund	-0.79%	+6.83%	+31.49%	+11.27%	+7.74%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-1.56%	+5.47%	+26.55%	+2.62%	+1.45%
Outperformance	+0.77%	+1.36%	+4.94%	+8.65%	+6.29%

* Fund returns are calculated post fees.

Attribution*

Our best performing stocks for the month;		Our biggest detractors for the month;	
1. Ausdrill Limited		1. APN Outdoor	
2. Ebos Limited		2. CSG Limited	
3. Fletcher Building		3. RCG Corporation	

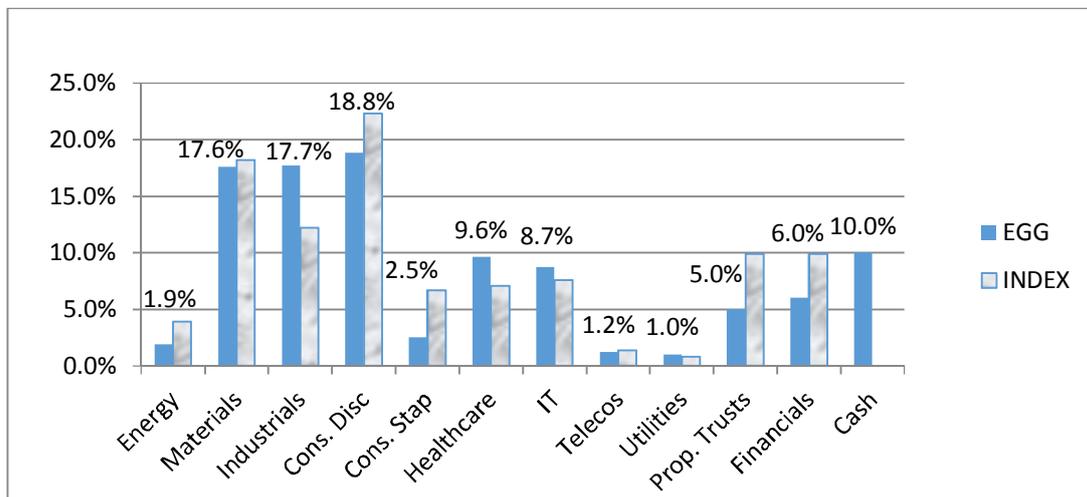
* In alphabetical order, as at 31 August

Top 10 Holdings*

Name	Industry
1. Bapcor	Consumer Discretionary
2. Ebos Group	Healthcare
3. Eclipx Group	Financials
4. Fletcher Building	Materials
5. Macquarie Atlas Roads Group	Industrials
6. Mayne Pharma	Healthcare
7. Nufarm	Materials
8. Sims Metal Management	Materials
9. Steadfast Group	Financials
10. Trade Me Group	Consumer Discretionary

* In alphabetical order, as at 31 August

Eley Griffiths Group Small Companies Fund by Sector



Eley Griffiths Group Ratings

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

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