



Small Companies Fund

Monthly Report

October 2016

Portfolio Performance and Strategy

The Eley Griffiths Group Small Companies Fund was down -5.82% in October as a bout of profit taking saw small caps underperform large caps for the first month this calendar year. The reversal in positive momentum saw a number of roving investors, not typically in our space, cutting profitable positions with many well held institutional names off >10%. Ultimately the bond market was behind the correction with bond yields making a decisive move higher over the month (Australian 10-year bond yield up +40bp, US 10-year bond yield +20bp). This saw risk repriced across the globe. Interestingly the New Zealand market was a notable underperformer and had its worst month since May 2010 falling -5.44%. Our overweight position to this market detracted value with Ebos Group and Trade Me Group our worst performers for the month. Profit downgrades were a

Unit Price at 31 October 2016

Application	\$2.1850
Redemption	\$2.1731
Fund Size	\$439 million
# stocks held	57

feature in October as AGM's highlighted tough trading conditions particularly for consumer names with The Reject Shop, Target, Adairs, Qantas and Virgin all suggesting recent consumer trends were weak. Quantitative work we conducted earlier in the year highlighted gold stocks as the most vulnerable to a bond market correction and this proved correct with many of the Gold equities off ~20%, we were relatively well positioned for this. Since the peak on the 19th of August the Small Ordinaries Index is down -9.8% and we are seeing good opportunities to deploy the portfolio's 10% cash position.

Performance Statistics to 31 October 2016

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
EGG Small Companies Fund	-5.82%	-6.38%	+14.99%	+10.88%	+6.13%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-4.72%	-4.77%	+14.90%	+2.69%	+0.27%
Outperformance	-1.10%	-1.61%	+0.09%	+8.19%	+5.86%

* Fund returns are calculated post fees.

Attribution*

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

- | | |
|----------------------------|---------------------------|
| 1. Gr Engineering Services | 1. Ebos Group |
| 2. Sims Metal Management | 2. Smartgroup Corporation |
| 3. Whitehaven Coal | 3. Trade Me Group |

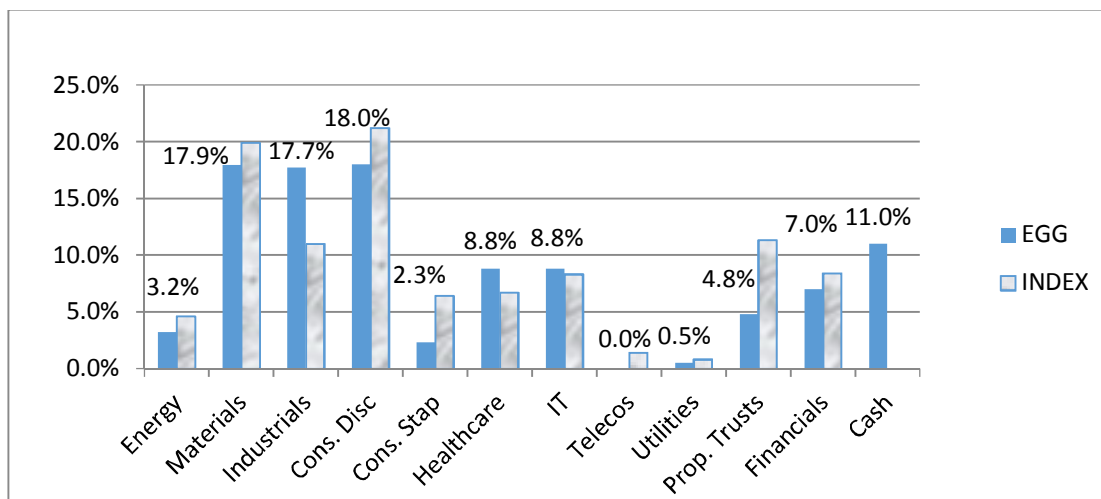
* In alphabetical order, as at 31 October

Top 10 Holdings*

Name	Industry
1. Cleanaway Waste Management	Industrials
2. Ebos Group	Healthcare
3. Fletcher Building	Materials
4. Independence Group	Materials
5. IRESS	Information Technology
6. Macquarie Atlas Roads Group	Industrials
7. Mayne Pharma	Healthcare
8. Nufarm	Materials
9. Steadfast Group	Financials
10. Trade Me Group	Consumer Discretionary

* In alphabetical order, as at 31 October

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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