



# Small Companies Fund

## Monthly Report

### December 2016

#### Portfolio Performance and Strategy

The Eley Griffiths Group Small Companies Fund returned +2.01% in December and delivered +8.83% to investors in CY16 (+20.15% in CY15). Institutional redemption activity featured in the month with large sums of money repositioning ahead of CY17. The Federal Reserve raised interest rates for the second time in 10 years and the FOMC signaled 3 hikes were likely in CY17 versus expectations of only 2 in September. The bond market sell off through October and November had seemingly captured this shift already and consolidated during the month. With this came relief rallies for quality and yield plays, namely REITS, industrials and growth stocks. After a difficult 3 years as a listed company Cover-More Group was bid for by Zurich Insurance Company at \$1.95 a share, a 5 cent discount to its IPO price in 2013. Bellamy's (not owned by the fund) provided a negative trading update, downgrading earnings by -45%, only to go into suspension 10 days later. We de-risked our position in A2 Milk during the month given heightened prospects of a sector de-rating. The Oil price continued its rally +10.7% on further evidence OPEC is taking

#### Unit Price at 31 December 2016

<b>Application</b>	\$2.1837
<b>Redemption</b>	\$2.1717
<b>Fund Size</b>	\$443 million
<b># stocks held</b>	58

hard action and gold saw a relief rally in the final trading days of the year. Whilst talk of Fiscal Policy, a bond market bubble and the "value rotation" are seemingly consensus themes heading into CY17, we suspect global capital flows (e.g. passive ETF flows) and investor positioning are yet to fully reflect this. In the short term, the rotation (out of yield and defensives into cyclicals) may be somewhat stretched, however we believe the period of significant and sustained underperformance from higher volatility value names is behind us. Whilst we may be seven years into this bull market, pessimism remains stubbornly high and cash levels remain elevated. Risk appetite has only been stirring for 12-18 months. We still believe equities are the place to be, albeit investors need be prepared for greater volatility than in recent years and careful attention needs to be paid to where one is invested within equities.

#### Performance Statistics to 31 December 2016

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
<b>EGG Small Companies Fund</b>	2.01%	-5.88%	+8.83%	+12.04%	+5.51%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index (XSOAI)</b>	3.61%	-2.45%	+13.18%	+4.87%	-0.28%
<b>Outperformance</b>	<b>-1.60%</b>	<b>-3.43%</b>	<b>-4.35%</b>	<b>+7.17%</b>	<b>+5.79%</b>

\* Fund returns are calculated post fees.

## Attribution\*

Our best performing stocks for the month;		Our biggest detractors for the month;	
1. Cleanaway Waste Management		1. Dacian Gold	
2. Collins Foods		2. Michael Hill International	
3. HFA Holdings		3. Touchcorp	

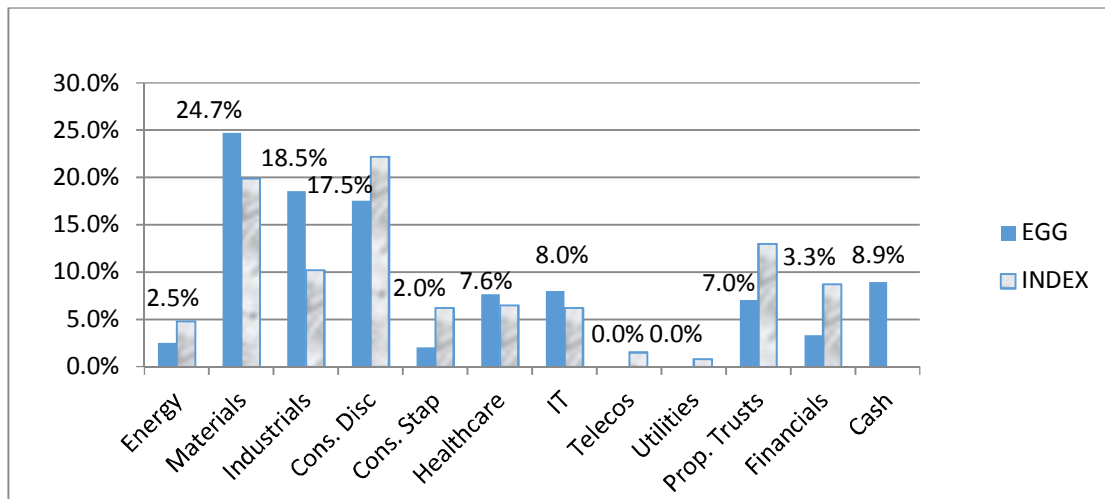
\* In alphabetical order, as at 31 December

## 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. Nufarm	Materials
8. Premier Investments	Consumer Discretionary
9. Sims Metal Management	Materials
10. Sigma Pharmaceuticals	Healthcare

\* In alphabetical order, as at 31 December

## Eley Griffiths Group Small Companies Fund by Sector



## Eley Griffiths Group Ratings

<b>Morningstar</b> March 2015	<b>Silver</b> 2 <sup>nd</sup> Highest Rating	<b>Lonsec</b> January 2016	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating
<b>Zenith</b> February 2016	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating	<a href="http://eleygriffiths.com.au/news-reports/">http://eleygriffiths.com.au/news-reports/</a>	

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