



Emerging Companies Fund Monthly Report

December 2017

Portfolio Performance and Strategy

The Emerging Companies Fund (ECF) returned +4.87% in December, closing out a strong six months for the Fund (+ 27.7% vs. benchmark 17.7%) The end of the calendar year is often a time for reflection. The XSOAI delivered a tick over 20% for CY17, almost 9% ahead of their large cap counterparts. Within Smalls, Resources have been the clear differentiator over the last 6 months (XSRAI + 41.5%), magnified especially in the last quarter (+25.4%), with November and December both recording +8% gains. Looking into 2018, the stage is set for Resource outperformance to continue, with consensus positioning increasingly betting on rising inflation and a weaker USD whilst analyst commodity forecasts lag spot prices (suggesting upwards earnings revisions are likely). Energy appears ripe for outperformance and the fund has been positioned to monetise our bullish view on the oil price

Unit Price at 31 December 2017

Application	\$1.3093
Redemption	\$1.3030
Fund Size	\$23 million
# stocks held	53

and the equities, which have lagged the commodity. Among the best attributors for ECF was Wagners; a south-east Queensland based construction materials (cement mostly) company that IPO'd in December. Priced at ~10x EBITDA or 19x P/E, the stock has quickly re-rated some 50%. We also increased our weighting to mining services group NRW Holdings (NWH). NWH has historically been a civil works service provider to the major iron ore miners, who are due to embark on substantial sustaining and growth capex in the coming months. NWH is more diversified than it was in the prior cycle, via the acquisition of Golding (east coast) in 2017 and steady build out of its drill and blast / mining contracting divisions.

Performance Statistics to 31 December 2017

	1 Month %	3 Month %	6 Month %	1 Year %	Inception % p.a.
EGG Emerging Companies Fund (ECF)	+4.87%	+14.28%	+27.68%	--	+38.24%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+3.20%	+13.69%	+18.70%	--	+23.71%
Outperformance	+1.67%	+0.59%	+8.98%	--	+14.53%

* Fund returns are calculated post fees.

Attribution*

Our best performing stocks for the month;		Our biggest detractors for the month;	
1. Afterpay Touch Group		1. Emeco Holdings	
2. NRW Holdings		2. Mastermyne Group	
3. Wagners Holding		3. Noni B	

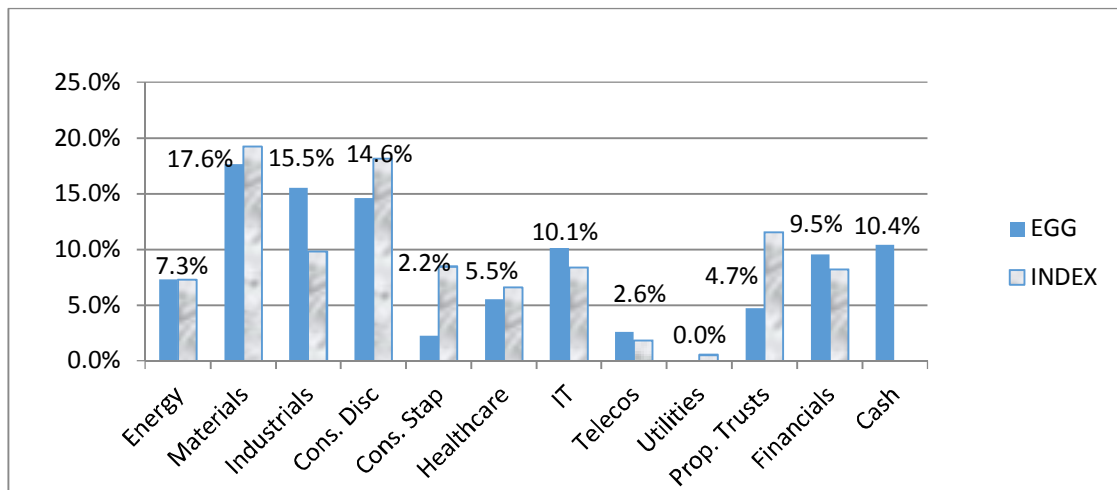
* In alphabetical order, as at 31 December

Top 10 Holdings*

Name	Industry
1. Afterpay Touch Group Ltd	Information Technology
2. Alliance Aviation Services Ltd	Industrials
3. Capitol Health Ltd	Health Care
4. Emeco Holdings Ltd	Industrials
5. HUB24 Ltd	Financials
6. Jumbo Interactive Ltd	Consumer Discretionary
7. Lifestyle Communities Ltd	Real Estate
8. MNF Group Ltd	Telecommunication Services
9. NRW Holdings Ltd	Industrials
10. Wagners Holding Co Ltd	Materials

* In alphabetical order, as at 31 December

Eley Griffiths Group Emerging Companies Fund by Sector



Eley Griffiths Group Ratings

Zenith March 2017	Recommended 2 nd Highest Rating	Lonsec April 2017 http://eleygriffiths.com.au/news-reports/emerging-companies-fund/	Recommended 2 nd Highest Rating
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