



# Small Companies Fund

## Monthly Report

### December 2017

#### Portfolio Performance and Strategy

The Eley Griffiths Group Small Companies Fund (SCF) rose +2.99% in December closing out a strong six months for the fund (+21.0% vs. benchmark +18.7%). 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 i.e. momentum). Energy appears ripe for outperformance and the fund has been positioned to monetise our

#### Unit Price at 31 December 2017

<b>Application</b>	\$2.3683
<b>Redemption</b>	\$2.3568
<b>Fund Size</b>	\$488 million
<b># stocks held</b>	59

bullish view on the oil price and the equities, which have lagged the commodity. We have exposures via WOR, BPT, SXY and MRM. Afterpay, Netwealth (a successful, recent IPO) and Saracen were the major contributors for the month. G8 Education (-25%) was a notable detractor, owing to a 10% earnings downgrade and hit to management credibility. M&A remains a dominant theme in the market, and one we would expect to continue into 2018. Most recently, Cleanaway (a Top 10 holding) announced its intention to acquire listed waste management peer Toxfree (via Scheme) at a multiple of ~20x EBIT, (or closer to ~11x after synergies are factored in).

#### Performance Statistics to 31 December 2017

	1 Month %	3 Month %	1 Year %	5 Year % p.a.	10 Year % p.a.
<b>EGG Small Companies Fund</b>	+2.99%	+13.05%	+16.68%	+11.71%	+5.49%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index (XSOAI)</b>	+3.20%	+13.69%	+20.02%	+7.39%	-0.03%
<b>Outperformance</b>	<b>-0.21%</b>	<b>-0.64%</b>	<b>-3.34%</b>	<b>+4.32%</b>	<b>+5.52%</b>

\* Fund returns are calculated post fees.

## Attribution\*

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

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. Afterpay Touch Group</li> <li>2. Netwealth Group</li> <li>3. Saracen Mineral Holdings</li> </ol> | <ol style="list-style-type: none"> <li>1 ARB Corp</li> <li>2. Collins Foods</li> <li>3. G8 Education</li> </ol> |
|--|---|

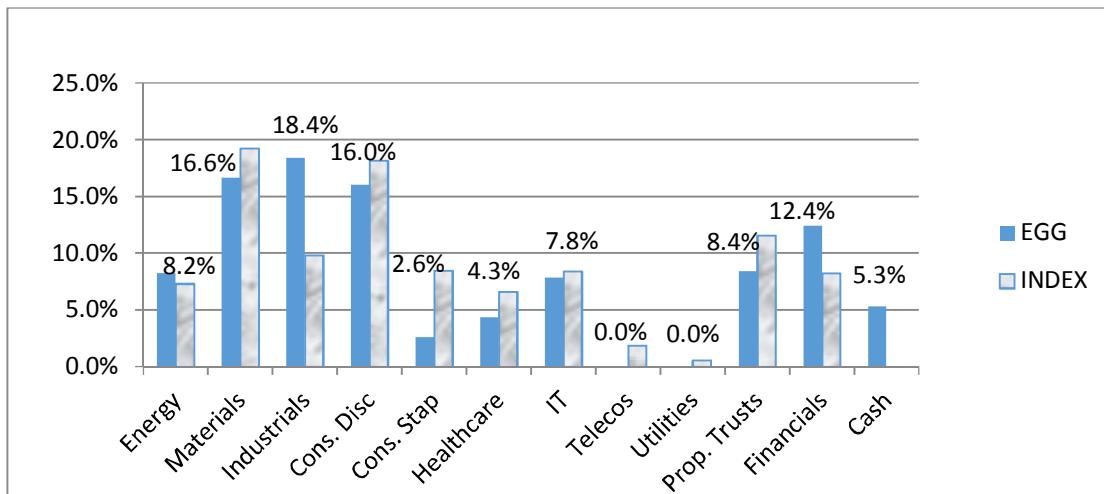
\* In alphabetical order, as at 31 December

## Top 10 Holdings\*

Name	Industry
1. Afterpay Touch Group Ltd	Information Technology
2. ARB Corp Ltd	Consumer Discretionary
3. Cleanaway Waste Management Ltd	Industrials
4. Saracen Mineral Holdings Ltd	Materials
5. Seven Group Holdings Ltd	Industrials
6. Sims Metal Management Ltd	Materials
7. SmartGroup Corp Ltd	Industrials
8. Steadfast Group Ltd	Financials
9. Whitehaven Coal Ltd	Energy
10. WorleyParsons Ltd	Energy

\* In alphabetical order, as at 31 December

## Eley Griffiths Group Small Companies Fund by Sector



## Eley Griffiths Group Ratings

<b>Morningstar</b> December 2017	<b>Bronze</b> 3rd Highest Rating	<b>Lonsec</b> February 2017	<b>Recommended</b> 2nd Highest Rating
<b>Zenith</b> February 2017	<b>Recommended</b> 2nd Highest Rating		<a href="http://eleygriffiths.com.au/news-reports/">http://eleygriffiths.com.au/news-reports/</a>

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