Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

Eley Griffiths Group Small Companies Fund

Report data as at 31 Jan 2018
Rating issued on 26 Feb 2018

VIEWPOINT & RATING

The Fund provides investors with a style neutral exposure to Australian smaller companies. Managed by an experienced small cap team, Zenith's conviction in the strategy is underpinned by the Fund's well structured and robust investment process. Zenith believes the investment team is well-placed to deliver strong returns.

The Eley Griffiths Group (EGG) was established in early 2003 by Brian Eley and Ben Griffiths and is focused solely on small and micro cap portfolios. In November 2015, Zenith was advised that due to an ongoing personal health issue, Eley retired from the business. EGG is profitable, has no external shareholders and is fully owned by the investment team.

Following Eley's retirement, the investment team is led by Griffiths, who has extensive experience in the management of Australian small cap portfolios. Supporting Griffiths in the management of the Fund is David Allingham. The two portfolio managers are supported by two analysts. Whilst the retirement of Eley in 2015 was a loss for EGG's investment capabilities, Zenith believes the succession planning program implemented by Eley and Griffiths was well thought out, and ensured that the team remained well-structured with respect to the coverage of the small cap universe. In addition, Zenith retains confidence in the long-term working relationship between Griffiths and Allingham, and notes that the team has adequately managed the strategy since Eley's departure.

Believing that the market does not always price small capitalisation companies efficiently, EGG utilises a GARP (growth at a reasonable price) investment approach in seeking to exploit this market mispricing. Whilst EGG's investment process is internally driven, the investment team will leverage the insights of an extensive broker network to further supplement the research conducted by the analysts. EGG's analysis considers both quantitative and qualitative factors with each receiving an equal weighting when determining a stock's final score.

EGG's portfolio construction process is disciplined and transparent. The construction phase utilises an algorithm called "SCOPE" (Small Companies Optimal Portfolio Evaluation), which has been developed in-house and assists in setting individual stock weights within predetermined risk limits. The portfolio managers also have the ability to tactically deviate up to 1% away from the stock weights determined by SCOPE, to reflect information such as corporate actions which are not captured by the model. Zenith considers the tactical overlay component to be an integral part of EGG's portfolio construction process, as it enables EGG to utilise its experience in qualitatively incorporating their views into the portfolio. Griffiths and Allingham determine the tactical deviations from the SCOPE model.

The Fund is expected to represent a well diversified exposure to smaller companies. The Fund is permitted to hold a maximum active weight in a company of 5%, with no restrictions applied at the sector level. Zenith believes EGG's portfolio construction process is intuitive and ensures that a stock's weighting in the portfolio appropriately references the fundamental research of the investment team.

FUND FACTS

- Investment process that equally weights qualitative and quantitative factors
- Typically holds between 35 and 55 stocks
- Portfolio turnover expected to range between 60% p.a. and 80% p.a.

ABSOLUTE RISK (SECTOR)

VERY HIGH
HIGH
MODERATE
LOW
VERY LOW

RELATIVE RISK (FUND WITHIN SECTOR)

Geared
Active - Benchmark Unaware
Active - Benchmark Aware
Index - Enhanced/Fundamental
Index

INCOME DISTRIBUTIONS PER

MONTH | QUARTER | 6 MONTH | ANNUM

INVESTMENT TIMEFRAME

1-2 YRS | 3-4 YRS | 5-6 YRS | 7+ YRS

APIR Code

EGG0001AU

Asset / Sub-Asset Class

Australian Shares
Small Companies

Investment Style

Neutral

Investment Objective

To outperform the S&P/ASX Small Ordinaries Accumulation Index (net of fees) over rolling three year periods.

Zenith Assigned Benchmark

S&P/ASX Small Ordinaries (Accum)

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	11.04	14.95	20.24
Benchmark	6.40	13.83	22.36
Median	10.88	14.07	19.32

Income (% p.a.)

	Income	Total
FY to 30 Jun 2017	7.02	-2.81
FY to 30 Jun 2016	5.60	23.20
FY to 30 Jun 2015	9.00	5.00

Fees (% p.a., Incl. GST)

Management Cost: 1.25%
Performance Fee: 15% of the excess return (net of fees) over the S&P/ASX Small Ordinaries Accumulation Index subject to certain hurdles being met

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

The Zenith "Australian Shares - Small Companies" sector consists of long-only funds investing in the small capitalisation (small cap) spectrum of the Australian equity market. That is, companies that fall between the S&P/ASX 100 and S&P/ASX 300. This is a competitive sector of the investment landscape, with the number of managers and strategies available to investors having grown in recent years. Over the longer-term, active management in this sector has historically demonstrated a strong ability to outperform a passive index.

Zenith benchmarks all funds in this sector against the S&P/ASX Small Ordinaries Accumulation index. However, investors should be aware that funds in this sector can have a varying allocation to the micro-cap universe i.e. ex-S&P/ASX 300 stocks. The S&P/ASX Small Ordinaries Accumulation index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings.

The Australian share market, as represented by the S&P/ASX 300 Accumulation index, is relatively narrow and highly concentrated, with the Materials and Financials sectors representing a material proportion of the index. In comparison to the S&P/ASX 300 index, the S&P/ASX Small Ordinaries Accumulation index is less concentrated and has a much lower weighting to the Financials sector.

Although the small cap sector is more diversified by constituents and sectors, it comprises companies with less diversified businesses and assets. As such, a higher degree of volatility is expected of the sector relative to its large cap counterparts.

PORTFOLIO APPLICATIONS

For investors seeking to achieve a well-blended exposure to Australian equities, Zenith suggests Australian small capitalisation funds are best used in combination with a large capitalisation Australian equities fund.

Zenith believes small capitalisation funds are most appropriate for investors with an investment time horizon of seven years or more.

EGG's investment approach makes the Fund a strong option for investors seeking a well diversified and actively managed single fund exposure to Australian small companies.

Portfolio turnover, whilst not targeted, is expected to be within the range of 60% p.a. to 80% p.a., which Zenith considers to be moderate to high. Investors should therefore be aware that a higher level of portfolio turnover may mean that a larger portion of the Fund's returns is likely to be delivered via short-term capital gains, to which high tax paying investors will need to pay particular attention.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in Australian small cap equities include:

MARKET RISK: A sustained downturn in the Australian equity market could lead to negative performance. Furthermore, in market downturns, the small cap sector tends to underperform the large cap sector due to its higher "beta" characteristic. The Resources sector also currently represents approximately 15% of the S&P/ASX Small Ordinaries index. Small resources companies are highly correlated to commodity prices, as such, a fall in commodity prices is likely to have a negative impact on performance returns.

CONCENTRATION RISK: Many small capitalisation funds tend to be concentrated and high conviction, with relatively few risk management constraints. Performance may therefore diverge from that of the index, and competitors, over the short-term.

CAPACITY/LIQUIDITY RISK: Excessive levels of funds under management (FUM), particularly in the small capitalisation sector of the market, has the potential to inhibit a manager's ability to trade portfolio positions effectively, and therefore limit outperformance or excess return generation potential. As a general 'rule of thumb' Zenith believes approximately 1% of the market capitalisation of the S&P/ASX Small Ordinaries index is an appropriate capacity target for an Australian small cap strategy, and that above this level it becomes increasingly difficult to generate excess returns. Zenith is cognisant that assessing FUM capacity as a percentage of market capitalisation is a relatively crude measure and that capacity constraints can vary depending on the underlying investment style and approach. Zenith will therefore assess capacity limits for each manager and strategy on an individual basis.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

KEY PERSON RISK: Due to Eley's retirement, Zenith believes that Griffiths' importance to the ongoing viability of the business has increased materially. Whilst Griffiths' material equity ownership stake in EGG mitigates against his potential departure in the medium-term; EGG's reliance on Griffiths' business leadership and investment abilities has increased significantly. Should Griffiths depart the business, Zenith would immediately reassess our rating on the Fund. In addition, Zenith believes the departure of portfolio manager David Allingham would also be regarded as a considerable loss.

CAPACITY/LIQUIDITY RISK: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively and may therefore limit outperformance potential. As at 31 December 2017, EGG managed approximately $A 1.7 billion in the small cap strategy. To manage capacity issues, the strategy has been hard-closed to institutional investors since 2006; an action we view favourably.

EGG has identified that a reasonable capacity target for the Fund is approximately 1.25% of the market capitalisation of the S&P/ASX Small Ordinaries Index. At current levels, Zenith believes EGG is now at the upper end of the capacity range for managing a small cap strategy, and we will continue to monitor for signs that capacity may be impacting performance.

EGG is cognisant that its competitors watch the firm closely, and as such aims to invest discreetly by minimising the number of stocks held where EGG would be considered a substantial holder (defined as owning 5% or more of the total number of votes attached to a stock's voting shares).

CURRENCY RISK: Investments in international markets are exposed to changes in the value of the Australian dollar (AUD) relative to foreign currencies, which may lead to increased levels of volatility. The Fund is permitted to invest in stocks listed in stocks listed on the Australian and New Zealand stock exchanges.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Established in early 2003 by Ben Griffiths and Brian Eley, the Eley Griffiths Group (EGG) is a boutique fund manager which specialises in the management of small companies portfolios. EGG is profitable, has no external shareholders and is fully owned by the investment team.

In November 2015, Zenith was advised that due to an ongoing personal health issue, Eley retired from the business. As a result of Eley's retirement, his equity was redistributed among the investment team. Griffiths and portfolio manager David Allingham own the majority of the firm, with the remaining equity owned by analyst Tim Serjeant and dealer Lachlan Ridhalgh.

EGG operates an outsourced business model with services such as accounting, legal, compliance, responsible entity services, attribution analysis, IT systems and unit registry all outsourced to external third parties. This allows the investment team to focus solely on the investment aspects of the business, which Zenith views favourably. EGG's in-house office manager closely manages and monitors the firm's relationships with external service providers.

As at 31 December 2017, EGG managed approximately $A 1.7 billion in funds under management (FUM). Zenith notes EGG's FUM is diversified across both retail and institutional channels, which we believe reduces the business risk associated with the departure of a key client.

As at 31 December 2017, EGG managed approximately $A 1.7 billion in the Small Companies strategy, $A 489 million of which was invested in the retail unit trust.

INVESTMENT PERSONNEL

Name	Title	Tenure
Ben Griffiths	Portfolio Manager	15 Yr(s)
David Allingham	Portfolio Manager	13 Yr(s)

The investment team of four is led by portfolio manager Ben Griffiths, who has extensive experience in the management of Australian small cap portfolios. Prior to co-founding EGG, Griffiths jointly managed the small companies portfolios at ING Investment Management. Zenith has met with EGG's investment team on numerous occasions, and particularly holds Griffiths in high regard.

Griffiths previously co-led the investment team with Brian Eley, who retired in November 2015 due to an ongoing personal health issue. In the lead up to his eventual retirement, Eley had progressively scaled back his investment responsibilities over a period of a few years. In addition, EGG has consolidated its offices to being based solely out of Sydney, having closed the Perth office.

David Allingham has been with EGG since October 2004, and has over 14 years of industry experience. As a result of Eley's retirement, Allingham assumed the role of portfolio manager, sharing responsibility for the Fund's portfolio construction with Griffiths.

Tim Serjeant joined EGG in July 2012 and has over 10 years of industry experience. Serjeant previously held the role of Associate Director at Argonaut Securities in Perth. Zenith notes that Serjeant has taken on additional stock coverage as a result of Eley's retirement, and we believe that his increasing familiarisation with EGG's investment process has further added to the depth of the investment team.

Nick Guidera is the newest addition to the team having joined the team from CLSA in September 2016 as an analyst.

Whilst the retirement of Eley in 2015 was a loss for EGG's investment capabilities, Zenith believes the succession planning program implemented by Eley and Griffiths was well thought out, and ensured that the team remained well-structured with respect to the coverage of the small cap universe. Zenith believes Griffiths is a high quality small cap investor, and we draw confidence from his strong track record in co-managing the strategy. In addition, Zenith retains confidence in the long-term working relationship between Griffiths and Allingham, and notes that the team has adequately managed the strategy since Eley's departure.

INVESTMENT OBJECTIVE AND PHILOSOPHY

The Fund seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index (net of fees) over rolling three year periods. Whilst not targeted, EGG seeks to achieve this objective within a relatively broad Tracking Error range of between 6% p.a. and 12% p.a.

Zenith would prefer to see the delineation of a specific outperformance target, as opposed to a descriptive, qualitative objective. Zenith believes this will provide investors with greater transparency with regards to returns expectations and to the level of risk embedded in the Fund.

EGG's investment process is based on the philosophy that markets do not always price small companies efficiently and that these inefficiencies can be exploited using market experience, fundamental research and a robust stock selection process. Believing that the performance of a stock is driven by the strength of its management, industry structure, earnings profile and valuation, EGG adopts a fundamentally driven research process that equally weights both qualitative and quantitative factors in seeking to uncover mispriced securities.

As a result of EGG's bias towards well managed companies that are attractively valued relative to the market, Zenith would expect that the Fund would typically exhibit a 'growth at a reasonable price' (GARP) investment style.

SECURITY SELECTION

EGG's security selection process has remained consistent since the Fund's inception in 2003. EGG's process considers both qualitative and quantitative factors with each factor equally weighted when determining the score for each company.

The Fund's initial investment universe includes all companies listed on the ASX that lie outside the S&P/ASX 100 Index. In order to reduce this universe to companies which are considered of high interest for the Fund, EGG applies an initial filter which omits companies that have a market capitalisation of below $A 75 million. It is expected that the initial filter will reduce the investable universe to approximately 250 companies.

EGG's qualitative analysis is conducted in two stages and includes a broader assessment of the industry in which a company operates, and a qualitative assessment as to the quality of a company's management team.

Industry analysis focuses on the outlook for the industry and is used to determine a company's relative position within the broader sector. The criteria assessed includes:

- The long-term growth outlook for the industry relative to GDP
- Barriers to entry
- Risk of changes to the regulatory environment
- Actual and potential competitors
- Substitutes of the company's product available to customers
- Supply and demand outlook
- Bargaining power of customers and suppliers
- Depth and breadth of customer base
- The company's pricing power

Stock specific analysis includes the evaluation and assessment of company management. In order to ensure consistency in the assessment of company management, EGG uses a standard template which consists of the following criteria:

- Management track record
- Capital management
- Shareholder alignment
- Strategic plan

Each criteria is scored from 0 to 10 by the team for all companies researched. These scores are then multiplied by their assigned weights to arrive at the total qualitative score for each company. The weights assigned to each factor are based on the investment team's perceived level of importance of each factor and its impact on the company's return to shareholders and ultimately the company's share price. Management factors typically account for 60% of the total qualitative score while industry factors make up the remaining 40%.

The qualitative assessment of companies within the investment universe is conducted in the month following reporting season (in February and August each year), although a company's score can be adjusted more frequently as required.

In conducting this analysis, the investment team undertakes a rigorous company visitation program, including interviewing company management and where possible, inspecting the company's operations. This is regarded by EGG as being essential to building a deep understanding of a company and its prospects. EGG's assessment is further developed through contact with a company's competitors, suppliers, customers and by consulting a wide range of other industry participants that have the potential to contribute to EGG's views.

EGG's company valuation methodology has been developed internally and is based on specific financial data sourced from a company's annual report and appendices. For ease of comparison this data is in the format prescribed by the ASX and is applied consistently across all companies under coverage. Based on this financial information, EGG has produced a library of approximately 120 company specific models. Company data is updated ad hoc and when yearly results are announced the models are dynamically updated via the live pricing data received from the IRESS Market Technologies system.

EGG's company valuation models are designed to project the balance sheet, earnings per share (EPS), revenue and cashflow generation for the next three reporting periods. Key assumptions on revenue streams and margins are entered into the model, based on EGG's research. The financial models contain in-built integrity checks, which include reconciliation of a company's profit & loss statements, balance sheets and cashflow statements. This helps to ensure consistency across income and capital items. The output from EGG's models is a time-weighted EPS growth rate and the forecast price earnings (P/E) ratio in the current year for each company. The EPS & P/E factors are then entered into the database and ranked against other stocks, with the EPS and P/E ratios having equal emphasis in the determination of the quantitative score for each company.

EGG then combines the qualitative and quantitative scores (equally weighted) to provide an overall score for each company researched. Each stock is then statistically ranked, with this ranking being the key determinant of security selection and portfolio construction decisions.

In Zenith's view, EGG's stock selection process promotes consistency and transparency, ensuring that all assessment criteria that the team deems important are formally assessed and scored. Zenith believes the EGG security selection process provides a highly disciplined and comprehensive framework for company analysis.

PORTFOLIO CONSTRUCTION

Constructed by Griffiths and Allingham, EGG's portfolio construction process is systematic and quantitatively driven, whilst still providing the portfolio managers with the opportunity to qualitatively incorporate their views into the portfolios.

The portfolio is largely constructed through an internally developed algorithm called SCOPE (Small Companies Optimal Portfolio Evaluation). SCOPE is designed to translate stock scores derived during the security selection stage, into recommended active positions. Whilst noting that this process is largely quantitative, Zenith believes that it provides a useful reference to EGG's fundamental stock research process, ensuring consistency between the underlying stock scores and recommended stock weightings in the portfolio. SCOPE also takes into account the portfolio's risk management constraints including minimum absolute and relative position sizes, maximum active stock weights, liquidity and maximum percentage ownership levels of any one stock.

EGG's stock research process results in each stock of interest having a score that is an equally weighted combination of

EGG's qualitative and quantitative analysis. The portfolio buy/sell decision is therefore a logical outcome of the changes in each individual stock ranking relative to the universe. These rankings will change as underlying scores change.

EGG's process allows for tactical deviations of up to 1% per stock (subject to not breaching risk limits) from the weightings recommended by SCOPE. This overlay is shorter-term in nature and allows the portfolio managers to compensate for information that is not incorporated by the stock selection model such as corporate actions, merger and acquisition activity and short-term cyclical influences. In exercising the tactical overlay, the portfolio managers leverage the insights of their extensive industry contacts. Zenith notes that historically the tactical overlay step has only been implemented for a small number of stocks in the portfolio, and justification by the portfolio manager is required for a tactical deviation to occur. Griffiths and Allingham determine the tactical deviations from the SCOPE model.

The Fund is expected to typically hold between 35 and 55 stocks, with maximum active position sizes limited to 5%. The Fund typically holds between 4% and 8% of the portfolio in cash, and is permitted to hold up to 20% if considered appropriate. Zenith considers the Fund's cash holdings and cash limits to be higher than peers. Zenith believes that actively managed funds should be fully invested and that allocations to cash should be maintained at a minimum.

If a portfolio holding enters the S&P/ASX 100 Index, EGG has up to two years before this stock must be sold. Zenith would prefer to see this constraint reduced given our belief that small cap funds should provide a true exposure to Australian smaller companies.

EGG places a high level of importance on the execution of trades and therefore provides detailed instructions for brokers regarding transaction price. Broker execution is monitored on an ongoing basis by EGG. EGG believes that even small gains that can be made at this stage of the process are worthwhile pursuing. EGG will reward brokers with their business when they deliver solid execution results or highlight worthwhile stock ideas to EGG. EGG currently has a panel of 21 brokers, categorised into three groups (rated A, B or C), that it deals with.

Zenith rates EGG's portfolio construction approach highly as it ensures a strong correlation between individual stock scores and the weight of the stock in the portfolio. Zenith believes that EGG's fully integrated security selection and portfolio construction approach ensures that the team's highest ranked stocks are included in the final portfolio at a weighting that reflects the analyst's conviction in the stock.

In light of the changes to EGG's investment team, Zenith believes the systematic portfolio construction methodology is important in providing continuity in the application of EGG's investment process. Zenith will continue to monitor the composition of the Fund and portfolio performance.

RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	35 to 55
Weight - Security Rel. Index (%)	-5% to 5%
Weight - Holding Rel. Issued capital (%)	max: 10%
Cash (%)	0% to 20%
Market capitalisation ($m)	Min $50m
Other	If a portfolio holding enters the S&P/ASX 100 index then it must be sold within two years
Portfolio Turnover (% p.a.)	Approx. 60% p.a. to 80% p.a.
Tracking Error (% p.a.)	6% p.a. to 12% p.a. Not targeted

Risk is managed at the portfolio level with reference to a series of predetermined risk limits listed in the table above.

EGG seeks to manage risks at the both the stock and portfolio level. At the stock level, EGG's fundamental research effort into understanding the key drivers and risks to a company's future cash flows is the primary risk management tool.

EGG is cognisant that its competitors watch the firm closely, and as such aims to invest discreetly by minimising the number of stocks held where EGG would be considered a substantial holder (defined as owning 5% or more of the total number of votes attached to a stock's voting shares). As at 31 December 2017, EGG was a substantial shareholder in 4 of the Fund's 59 holdings.

Overall, Zenith views EGG's portfolio construction constraints as being broadly consistent with its peers.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship Australian Small Companies funds surveyed by Zenith.

The Fund charges a management cost of 1.25% p.a. and a performance fee of 15%. The performance fee is charged against the net excess returns over the performance hurdle (S&P/ASX Small Ordinaries Accumulation Index) and is subject to all prior benchmark underperformance being recouped. In addition, the Fund's total return must also be positive in the assessed period for the performance fee to be payable. It is calculated and accrued daily and paid semi-annually.

For any fund that charges a performance fee, Zenith would prefer to see in place an additional excess return hurdle (i.e. a target return above the index other than base management fee) and considers this best practice.

Overall, Zenith believes the Fund's fee structure to be expensive, relative to peers, given its stated objectives. In addition, we believe that investors have not been sufficiently compensated by way of risk adjusted performance given the fees paid over the past three years (ending 30 June 2017).

There is also a buy/sell spread of 0.242% charged on Fund entry and exit.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	1.25% p.a.	1.17% p.a.
	Description	
Performance Fee	15% of the excess return (net of fees) over the S&P/ASX Small Ordinaries Accumulation Index subject to certain hurdles being met	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.24%	0.24%

PERFORMANCE ANALYSIS

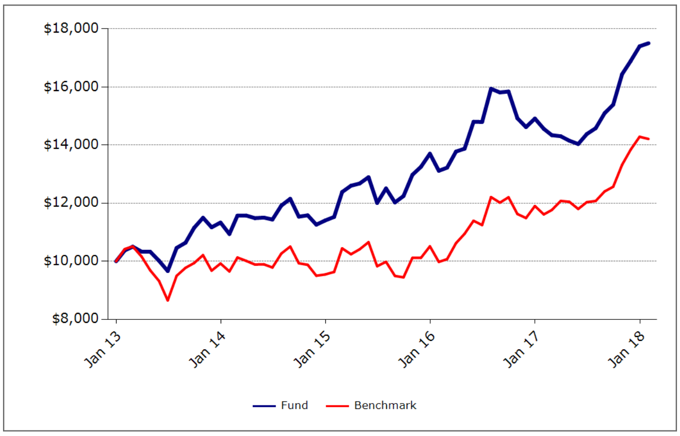
Report data: 31 Jan 2018, product inception: Oct 2003

Monthly Performance History (%, net of fees)

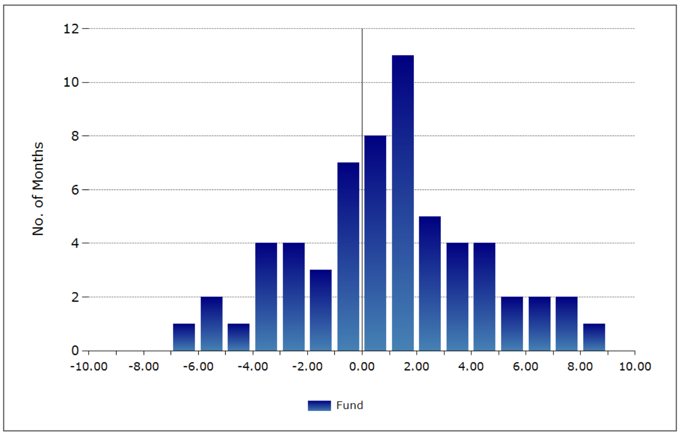
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2018	0.61												0.61	-0.54
2017	-2.37	-1.50	-0.25	-1.07	-0.81	2.45	1.40	3.54	1.94	6.83	2.75	2.99	16.68	20.02
2016	-4.29	0.82	4.19	0.72	6.66	-0.03	7.72	-0.79	0.20	-5.82	-2.03	2.01	8.83	13.19
2015	1.06	7.44	1.76	0.59	1.72	-6.88	4.15	-3.86	1.84	5.96	2.14	3.38	20.15	10.16
2014	-3.48	5.79	0.01	-0.77	0.17	-0.58	4.20	1.95	-5.05	0.40	-2.78	1.29	0.63	-3.80

Benchmark: S&P/ASX Small Ordinaries (Accum)

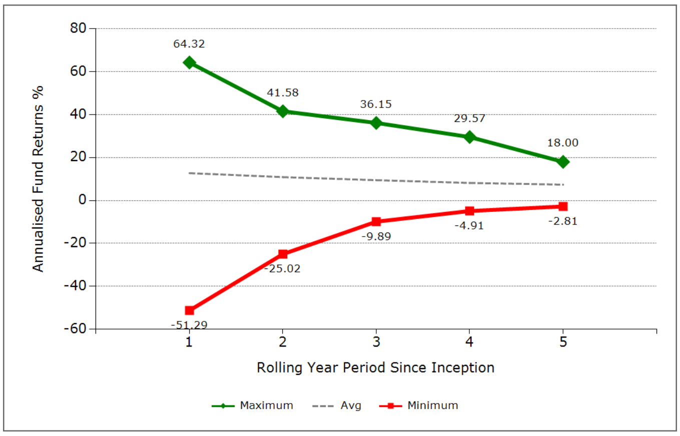
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	11.60	11.04	14.95	20.24
Benchmark (% p.a.)	6.47	6.40	13.83	22.36
Median (% p.a.)	10.62	10.88	14.07	19.32
Ranking within Sector	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund Ranking	6 / 18	18 / 37	14 / 37	18 / 41
Quartile	2nd	2nd	2nd	2nd
Standard Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	15.87	11.57	11.88	7.89
Benchmark (% p.a.)	17.41	13.18	12.67	7.27
Median (% p.a.)	15.59	12.08	11.98	6.74
Downside Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	10.02	5.66	5.90	1.74
Benchmark (% p.a.)	11.39	6.96	6.32	1.97
Median (% p.a.)	9.22	5.76	5.90	1.43
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Sharpe Ratio - Fund	0.46	0.75	1.09	2.34
Sortino Ratio - Fund	0.73	1.54	2.19	10.65

All commentary below is as at 31 January 2018.

The Fund seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index (net of fees) over rolling three year periods.

The Fund has been able to its achieve its performance objective and has delivered strong absolute returns over the medium to long-term. On a peer relative basis, the Fund has outperformed the median manager across all assessed periods.

The Fund's volatility, as measured by the Standard Deviation, has been below that of the benchmark and the median manager over the medium to longer-term. The Fund's positive Sharpe Ratio over all periods of assessment indicates that investors are being appropriately compensated for the heightened volatility profile of the small cap sector.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	5.13	4.64	1.11	-2.12
% Monthly Excess (All Mkts)	58.14	60.00	50.00	58.33
% Monthly Excess (Up Mkts)	43.40	42.86	34.78	55.56
% Monthly Excess (Down Mkts)	81.82	84.00	76.92	66.67
Beta Statistics	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Beta	0.87	0.80	0.85	0.86
R-Squared	0.90	0.84	0.83	0.63
Tracking Error (% p.a.)	5.52	5.35	5.30	4.91
Correlation	0.95	0.91	0.91	0.79
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Information Ratio	0.93	0.87	0.21	-0.43

All commentary below is as at 31 January 2018.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill.

EGG has been able to generate this consistency of outperformance over the medium to long-term, with the Fund's outperformance during down markets being particularly strong.

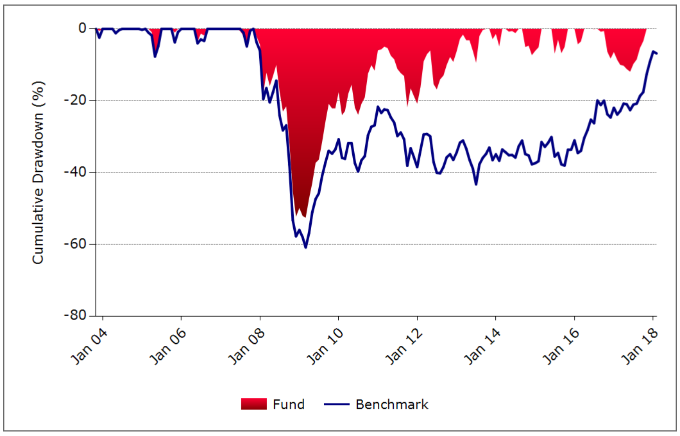
Whilst not a hard limit, the Fund's Tracking Error is expected to be within a broad range of 6% p.a. to 12% p.a. Since inception, the Fund's Tracking Error has remained below the lower bound of 6% p.a.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-52.59	-60.87
Months in Max Drawdown	16	16
Months to Recover	55	-

Worst Drawdowns	Fund	Benchmark
1	-52.59	-60.87
2	-11.93	-7.70
3	-7.32	-4.88
4	-6.88	-4.02
5	-6.68	-3.74



All commentary below is as at 31 January 2018.

The Fund has generally demonstrated an ability to provide a degree of downside protection during declining markets.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2017	7.02%	-9.83%	-2.81%
FY to 30 Jun 2016	5.60%	17.60%	23.20%
FY to 30 Jun 2015	9.00%	-4.00%	5.00%
FY to 30 Jun 2014	1.55%	16.80%	18.35%
FY to 30 Jun 2013	2.43%	6.48%	8.91%
FY to 30 Jun 2012	2.54%	-8.94%	-6.40%
FY to 30 Jun 2011	2.05%	14.70%	16.75%

The Fund does not target specific income levels.

Distributions will be made annually where possible in June.

Portfolio turnover, whilst not targeted, is expected to be within the range of 60% p.a. to 80% p.a., which Zenith considers to be moderate to high. Investors should therefore be aware that a higher level of portfolio turnover may mean that a larger portion of the Fund's returns is likely to be delivered via short-term capital gains, which high tax paying investors will need to pay particular attention to.

REPORT CERTIFICATION

Date of issue: 26 Feb 2018

Role	Analyst	Title
Author	Tom Goodrich	Associate Investment Analyst
Sector Lead	Quan Nguyen	Senior Investment Analyst
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
26 Feb 2018	Recommended
28 Feb 2017	Recommended
25 Feb 2016	Recommended
2 Mar 2015	Recommended
17 Nov 2014	Recommended
3 Mar 2014	Recommended

Last 5 years only displayed. Longer histories available on request.

DISCLAIMER AND DISCLOSURE

Zenith Investment Partners (ABN 27 103 132 672) is the holder of Australian Financial Services Licence 226872 and is authorised to provide general financial product advice. This Product Assessment Report (report) has been prepared by Zenith exclusively for Zenith clients and should not be relied on by any other person. Any advice or rating contained in this report is limited to General Advice for Wholesale clients only, based solely on the assessment of the investment merits of the financial product. This report is current as at the date of issue until it is updated, replaced or withdrawn and is subject to change at any time without notice in line with Zenith's regulatory guidelines. Zenith clients are advised to check the currency of reports and ratings via Zenith's website for updates. Any advice contained in this report has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek their own independent financial advice, obtain a copy of, and consider any relevant PDS or offer document and consider the appropriateness of this advice in light of their own objectives prior to making any investment decision. Zenith charges an upfront flat fee to the Product Issuer, Fund Manager or other related party to produce research on funds that conform to Zeniths Research Methodology. Zenith's fee and Analyst remuneration are not linked to the rating outcome in any way. Views expressed in Zenith reports accurately reflect the personal, professional, reasonable opinion of the Analyst who has prepared the report. Zenith may also receive a fee for other non-research related services such as subscription fees for Zenith's research services and/or for the provision of investment consultancy services. Conflicts management arrangements are in place where Zenith provides research services to financial advisory businesses who provide financial planning services to investors and are also associated entities of the product issuers, with any such conflicts of interest disclosed within reports as appropriate. Full details regarding such arrangements are outlined in Zenith's Conflicts of Interest Policy
www.zenithpartners.com.au/ConflictsOfInterestPolicy

Zenith's research process seeks to identify investment managers considered to be the 'best of breed' through a comprehensive, multi-dimensional selection process. Zenith utilises both quantitative and qualitative factors in its ratings models. Models maximise commonality across different asset classes while retaining flexibility for specialist asset classes and strategies. The selection process is rigorous in both its qualitative and quantitative analysis and each component is equally weighted. Zenith does not manage any proprietary assets and as such Zenith is able to choose investment managers with absolute independence and objectivity. More detailed information regarding Zenith's research process, coverage and ratings is available on Zenith's website
www.zenithpartners.com.au/ResearchMethodology

This report is subject to copyright and may not be reproduced without the consent of the copyright owner. The information contained in this report has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this report. Except for any liability which cannot be excluded, Zenith does not accept any liability, whether direct or indirect arising from the use of information contained in this report. Past performance is not an indication of future performance.

Full details regarding the methodology, ratings definitions and regulatory compliance are available at
www.zenithpartners.com.au/RegulatoryGuidelines

Zenith has charged Eley Griffiths Group a fee to produce this report.