



# Emerging Companies Fund Monthly Report

## January 2018

### Portfolio Performance and Strategy

The Emerging Companies Fund (ECF) returned +2.93% for the month, outperforming the market by 3.47%. January saw a continuation of a number of themes we've alluded to in recent editions. Energy was again a strong performer from a sectoral perspective, with a weaker US\$ (DXY -3.25%) spurring commodity prices broadly higher. Overall positioning, being overweight Materials, Energy and Industrial names and avoiding the rate sensitive / benign inflation sectors like REITs, clearly benefitted ECF for the month. Despite the gloom engulfing retail, speciality players in Lovisa Adairs and Vita Group delivered further earnings upgrades in January. Sector exposures aside, it is this style of stock, priced at or around market multiples and where there is a positive change to earnings momentum, we think will be in vogue in 2018. M&A will also continue to

### Unit Price at 31 January 2018

<b>Application</b>	\$1.3476
<b>Redemption</b>	\$1.3411
<b>Fund Size</b>	\$24 million
<b># stocks held</b>	55

feature. In January, we've seen a third player (Mitsui) join the race for control of AWE and its Waitsia onshore gas asset. Oncology device company, Sirtex, received what appears to be a 'knockout' offer (pitched at a 49% premium) from US suitor Varian Medical Systems; the third instance in as many months (Aconex and Mantra the others) we've have seen offshore suitors emerge for 'beaten up' small cap names. Something to ponder. Our attention turns to reporting season in February, where we'll hopefully identify some new ideas; reasonably priced stocks where we think earnings momentum can shift and/or those that have fallen out of favour with the equity market, but may prove tempting for a corporate to own.

### Performance Statistics to 31 January 2018

	1 Month %	3 Month %	6 Month %	1 Year %	Inception % p.a.
<b>EGG Emerging Companies Fund (ECF)</b>	+2.93%	+10.09%	+26.51%	--	+38.52%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index (XSOAI)</b>	-0.54%	+6.65%	+17.65%	--	+20.62%
<b>Outperformance</b>	<b>+3.47%</b>	<b>+3.44%</b>	<b>+8.86%</b>	--	<b>+17.90%</b>

\* 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. Lifestyle Communities	
2. Austock Group		2. Motorcycle Holdings	
3. Emeco Holdings		3. Serko	

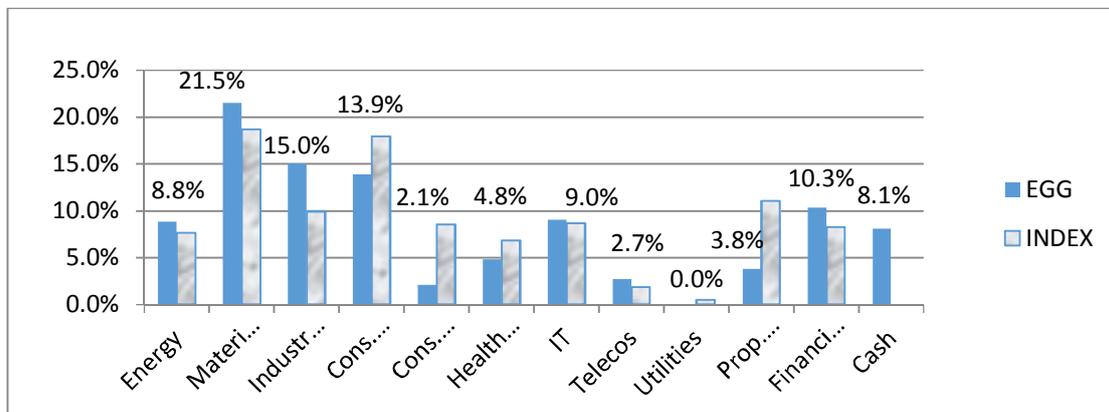
\* In alphabetical order, as at 31 January

## Top 10 Holdings\*

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

\* In alphabetical order, as at 31 January

## Eley Griffiths Group Emerging Companies Fund by Sector



## Eley Griffiths Group Ratings

<b>Zenith</b> March 2017	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating	<b>Lonsec</b> April 2017 <a href="http://eleygriffiths.com.au/news-reports/emerging-companies-fund/">http://eleygriffiths.com.au/news-reports/emerging-companies-fund/</a>	<b>Recommended</b> 2 <sup>nd</sup> Highest Rating
-----------------------------	--	--	--

**DISCLAIMER:** For wholesale clients use only. Not for retail clients use or distribution. This document is issued by Eley Griffiths Group Pty Limited (ABN 66 102 271 812) (EGG) in relation to the Eley Griffiths Emerging Companies Fund (Fund). The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (Perpetual) is the Responsible Entity of, and issuer of units in the Fund, and EGG is the investment manager of the Fund. The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund. EGG accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the disclosure document for the Fund. Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Neither EGG nor Perpetual guarantee repayment of capital or any particular rate of return from the Fund. Neither EGG nor Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of EGG as at the date of this document are subject to change without notice.