



Emerging Companies Fund

Monthly Report

February 2018

Portfolio Performance and Strategy

The Emerging Companies Fund (ECF) Fund (SCF) returned -1.79% in February and 34.65% over its first 12 months. An auspicious start to the month, with a near ~6% fall in the opening days (driven by a collapse in 'low vol' positioning as US10yr treasury yields approached 3% and stoked inflation fears) was soon forgotten as fundamentals were sharply back in focus. ECF struggled to keep pace in the whipsaw, but that has corrected itself largely in the early days of March. Debtor financier, CML Group (+26.7%) was a noteworthy performer for ECF. It continues to grow its share of the SME factoring pool in Australia through strong execution and consolidating the market. With enhanced scale we expect to see ongoing improvement in funding costs that will drive earnings leverage. The recent acquisition of the Thorn Group loan book appears

Unit Price at 28 February 2018

Application	\$1.3235
Redemption	\$1.3171
Fund Size	\$28 million
# stocks held	54

attractively priced to us too. OM Holdings (+31.5%) was a 'tactical' opportunity that worked well in February. It is one of few companies listed with leverage to the manganese price (manganese is a stainless-steel additive), which is up ~35% CYTD. Chinese imports are up 40% yoy on the back of capacity curtailments, while the major seaborne supplier, South Africa, has seen its currency re-rate (for a few reasons) leading to a steepening of the industry cost curve. MNF Group (-17.2%) reported inline, but the market was positioned for upgrades and took fright from its decision to reinvest in FY18 to sustain the longer-term earnings trajectory. We've seeded some new ideas in ECF over reporting season that we're confident can deliver in the months ahead.

Performance Statistics to 28 February 2018

	1 Month %	3 Month %	6 Month %	1 Year %	Inception % p.a.
EGG Emerging Companies Fund (ECF)	-1.79%	+6.01%	+18.11%	+34.65%	+34.65%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+0.03%	+2.67%	+14.58%	+20.81%	+20.81%
Outperformance	-1.82%	+3.34%	+3.53%	+13.84%	+13.84%

* Fund returns are calculated post fees.

Attribution*

Our best performing stocks for the month;		Our biggest detractors for the month;	
1. CML Group		1. Austock Group	
2. NRW Holdings		2. MNF Group	
3. OM Holdings		3. Praemium	

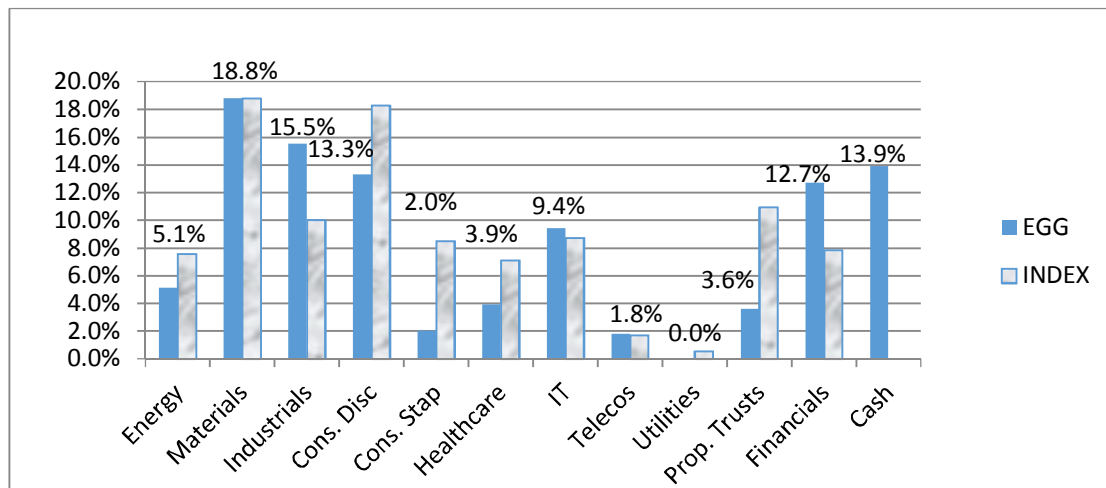
* In alphabetical order, as at 28 February

Top 10 Holdings*

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

* In alphabetical order, as at 28 February

Eley Griffiths Group Emerging Companies Fund by Sector



Eley Griffiths Group Ratings

Lonsec February 2018	Highly Recommended Highest Rating	Zenith February 2018 http://eleygriffiths.com.au/news-reports/emerging-companies-fund/	Recommended 2 nd Highest Rating
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