



# Emerging Companies Fund Monthly Report

## March 2018

### Portfolio Performance and Strategy

The Emerging Companies Fund (ECF) outperformed a softer market by 1.07% in March. It is easy to become impatient with a stock(s) that's not doing what you hoped, particularly at the more dynamic end of the market. Investment theses can change quickly as new information comes to hand. Sometimes the new information further supports the investment case, yet the market doesn't take notice. For instance, we initiated a position in a junior copper producer, with a market cap of ~\$230m and ~20m net cash in August last year. Until mid-March, the other producing names (SFR, OZL, FND, MLX) enjoyed, on average, +16% price gains over that period, yet this particular name was down 25%, or 40% relative to its peer group. We struggled to rationalise why. Australian companies haven't had a great track record in Brazil? True. How were they to fund upcoming capex requirements to expand production?

### Unit Price at 31 March 2018

<b>Application</b>	\$1.3074
<b>Redemption</b>	\$1.3011
<b>Fund Size</b>	\$30 million
<b># stocks held</b>	48

Valid observation. But this wasn't 'news'; our thesis hadn't changed. If anything, the incremental news flow had been supportive over this time. Sometimes, you just need to be patient. On 27 March, OZ Minerals lobbed a recommended \$444m cash + scrip offer for AVB, a 118% premium to the previous closing price and >70% premium to our entry price. A good win for unitholders. Retailer Noni B had a good month (+9.3%) too and contributed strongly to ECF, largely on rumours of potential acquisition opportunities. Better headline retail numbers (source: ABS) in February supported the space more generally. NRW Holdings (-23.5%) had a difficult month, with issues emerging with a JV contract (Forrestfield Airport Link) it has.

### Performance Statistics to 31 March 2018

	1 Month %	3 Month %	6 Month %	1 Year %	Inception % p.a.
<b>EGG Emerging Companies Fund (ECF)</b>	-1.22%	-0.15%	+14.11%	+31.69%	+30.27%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index (XSOAI)</b>	-2.29%	-2.79%	+10.52%	+14.99%	+16.63%
<b>Outperformance</b>	<b>+1.07%</b>	<b>+2.64%</b>	<b>+3.59%</b>	<b>+16.70%</b>	<b>+13.64%</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. Avanco Resources</li> <li>2. Jumbo Interactive</li> <li>3. Noni B</li> </ol> | <ol style="list-style-type: none"> <li>1. NRW Holdings</li> <li>2. Pacific Current Group</li> <li>3. Praemium</li> </ol> |
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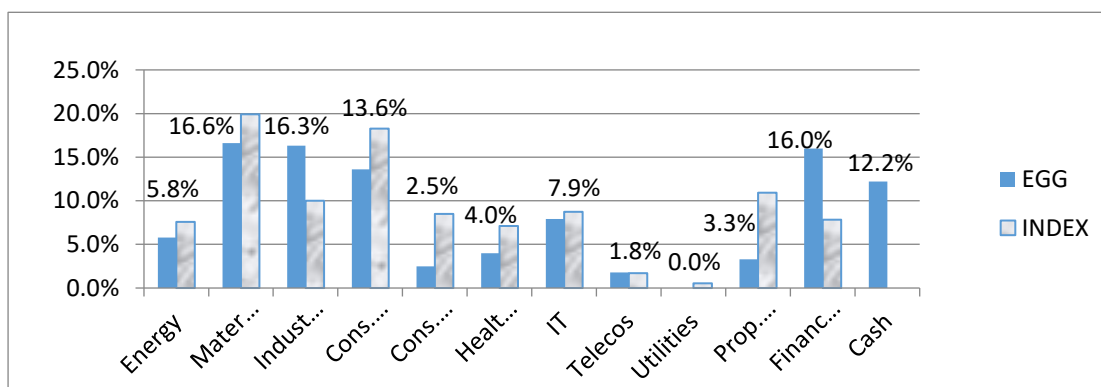
\* In alphabetical order, as at 31 March

## Top 10 Holdings\*

Name	Industry
1. Afterpay Touch Group Ltd	Information Technology
2. Alliance Aviation Services	Industrials
3. CML Group Ltd	Industrials
4. Emeco Holdings Ltd	Industrials
5. Helloworld Travel Ltd	Consumer Discretionary
6. Homeloans Ltd	Financials
7. Jumbo Interactive Ltd	Consumer Discretionary
8. Noni B Ltd	Consumer Discretionary
9. NRW Holdings Ltd	Industrials
10. Wagners Holding Co Ltd	Materials

\* In alphabetical order, as at 31 March

## Eley Griffiths Group Emerging Companies Fund by Sector



## Eley Griffiths Group Ratings

<b>Lonsec</b> February 2018	<b>Highly Recommended</b> Highest Rating	<b>Zenith</b> February 2018 <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
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