

The Eley Griffiths Group Small Companies Fund (SCF) kickstarted 2020 with a return of +4.1% in January, outperforming its benchmark which rallied strongly up +3.4%. The Small Ordinaries Accumulation index trailed the S&P/ASX100 by -1.7% as the Australian market broke through record all-time index highs. Leading Small Ords sectors for the month included Utilities (21.5%), Healthcare (+9.5%) and Financials (+6.7%).

The Fund continued to benefit from its overweight gold allocation with Saracen Mineral Holdings (SAR; +19.34%) and Silver Lake Resources (SLR; +21.3%) beginning the year on a positive note. Striking a 7-year high, gold spot rallied 4.7% over the month triggered by US pre-emptive military action and subsequent retaliations from Iran. Further tailwinds for SAR were better than expected Q419 production data and the sale of its 10.5% stake in Red 5 Ltd.

Performance was hampered by aerial imagery technology holding Nearmap Ltd (NEA; -33.3%). NEA was punished for revising its FY20 annualised contract value forecast from \$116-\$120m to \$102-\$110m range. The SCF position in NEA was managed down in 2H19 to minimise risk.

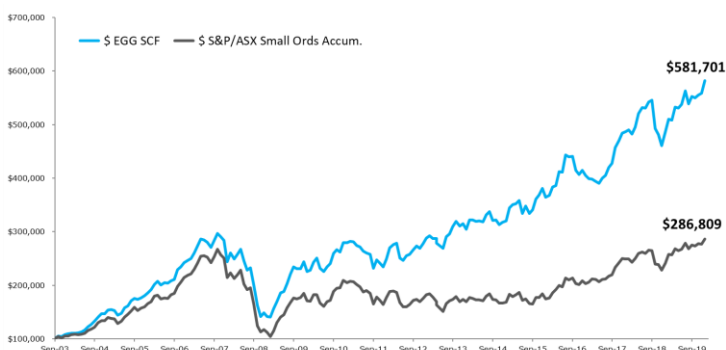
At the backend of the month the World Health Organisation acknowledged the rapid spread of Coronavirus was an international health emergency. We expect news of the virus prevalence to be an important sentiment driver as investors assess demand and supply side effects on Chinese commerce. To date markets have looked through the immediate risks and have remained resilient.

The Australian economy continues a "gentle turning point" as forecasted by the RBA Governor in October. Better-than-expected economic data included a declining unemployment rate whilst both CPI and retail sales ticked upward. The weight of positive economic health indicators forced a Futures market rethink of cash rate cut expectations. Beforehand it was anticipated further rate easing in March, this has now been delayed to August.

Returns post fees	1 Month	1 Year	2 Years p.a.	3 Years p.a.	5 years p.a.	10 years p.a.	Inception* p.a.
EGG Small Companies Fund	+4.11%	+19.52%	+9.29%	+12.82%	+12.65%	+9.94%	+11.41%
S&P/ASX Small Ord Accumulation Index (XSOAI)	+3.38%	+18.84%	+7.34%	+12.12%	+11.18%	+5.28%	+6.68%
<b>Outperformance</b>	<b>+0.74%</b>	<b>+0.68%</b>	<b>+1.95%</b>	<b>+0.70%</b>	<b>+1.46%</b>	<b>+4.65%</b>	<b>+4.73%</b>

\*Fund inception September 2003

## \$100,000 SINCE INCEPTION (AFTER FEES)

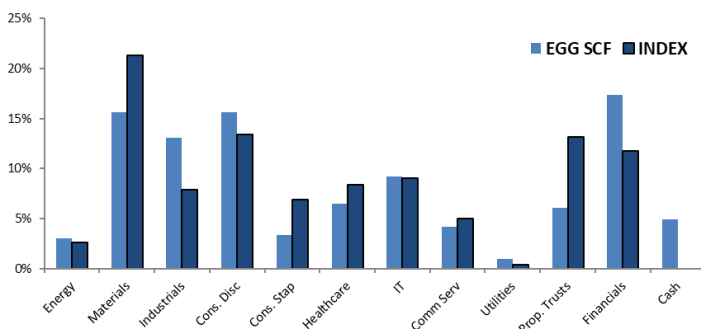


## STOCK ATTRIBUTION

Code	Stock	Sector
<b>Top 3 Contributors</b>		
APT	Afterpay Touch Group Ltd	Information Technology
SAR	Saracen Mineral Holdings	Materials
SLR	Silver Lake Resources Limited	Materials
<b>Bottom 3 Detractors</b>		
AQG	Alacer Gold Corporation	Materials
APE	AP Eagers Ltd	Consumer Discretionary
NEA	Nearmap Ltd	Information Technology

\*Alphabetical order, as at 31 January 2020

## FUND SECTOR ALLOCATION



## TOP 5 HOLDINGS

Code	Stock	Sector
BKW	Brickworks Limited	Materials
EBO	EBOS Group	Health Care
IMF	IMF Bentham Limited	Financials
IRE	IRESS Ltd	Information Technology
SAR	Saracen Mineral Holdings	Materials

\*Alphabetical order, as at 31 January 2020

## ELEY GRIFFITHS GROUP

Founded in 2003, Eley Griffiths Group is a specialist investment management company focusing on Australian listed Small and Emerging Companies. Eley Griffiths is 100% independent & owned by staff.

Our investment process and team have delivered consistent out performance through all market conditions for 16 years. We are style agnostic and can own both growth and value companies to construct portfolios.

Our investment philosophy;

- A long-term bottom-up approach to stock picking (style agnostic)
- Forming strong macro views to derive accurate long-term earnings estimates.
- Using Price/Earnings ratios and cashflow as our fundamental valuation tools.
- The need for a systematic and disciplined stock selection process
- Risk control measures at a stock and portfolio level
- Extensive company visitation program (domestic & offshore)

## FUND INFORMATION

**Benchmark:** S&P/ASX Small Ordinaries Accumulation Index  
**Number of stocks:** 35-55  
**Universe:** ASX listed stocks outside the S&P ASX 100  
**Fund Inception:** September 2003  
**Cash distributions or unit reinvestments:** Annually  
**Management fees:** 1.25%p.a.  
**Performance fees:** 15.375% p.a. of Outperformance above the S&P/ASX Accumulation Index (After Base Management Fee)  
**Fund size:** \$506m as at 31 January 2020  
**Minimum Investment:** \$25,000  
**Unit Price:** Daily  
**APIR Code:** EGG0001AU  
**ARSN CODE:** 106171224

### PDS & Applications Forms

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## ELEY GRIFFITHS SMALL COMPANIES FUND

The Small Companies Fund offers investors exposure to a diversified portfolio of Australian listed small companies that reside outside the S&P ASX100 Index. The Fund is benchmarked against the S&P ASX Small Ordinaries Accumulation Index and has a 16 year track of record of outperformance.

The team combines fundamental bottom-up research of companies with an in-depth qualitative assessment of their management and industry structure. Our proprietary investment process, known as SCOPE (Small Company Optimal Portfolio Evaluation), is a relative stock scoring tool that ranks stocks from highest to lowest based on their score. The portfolio comprises the best scoring stocks, subject to a number of risk constraints, such as maximum active position size (5%) and liquidity.

The outworking of this process is a portfolio that typically exhibits both growth and value characteristics that can outperform the market over the long-term.

## PORTFOLIO MANAGERS



BEN GRIFFITHS



DAVID ALLINGHAM



TIM SERJEANT

**Ben Griffiths** has over 30 years of financial markets experience. He co-founded Eley Griffiths Group in 2002 following a successful career as joint head of small companies at both BT Financial Group and ING Investment Management. Ben previously worked in precious metals markets with MASE Westpac and as a stockbroker at Roach Tilley Grice & Co as well as CL May Mellor. Ben holds a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of NSW.

**David Allingham** is a Director and Portfolio Manager at Eley Griffiths Group and has over 15 years' experience analysing small and emerging companies at Eley Griffiths Group. Prior to joining EGG in 2004, David worked in marketing at EMI Music Australia. David holds a Bachelor of Commerce from the University of Sydney.

**Tim Serjeant** has over 13 years' experience analysing small and emerging companies. Prior to joining EGG in July 2012, Tim was a Resources Analyst at Argonaut, a boutique investment bank and stockbroking firm. Tim holds Bachelor of Commerce (Honours in Finance) and Bachelor of Arts degree from the University of Western Australia.

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