

The Small Ordinaries Accumulation Index (XSO) achieved a positive return (up 0.5%) in October which contrasted the negative trend of global equity markets. The Eley Griffiths Small Companies Fund (SCF) returned 0.5% in line with its benchmark. After slumping in September, Financials recovered +5.5%, followed by Consumer Discretionary (+1.7%) and Consumer Staples (+1.7%). Healthcare was the worst performing sector over the past month, returning -8.6%, followed by Communication Services (-2.3%) and Energy (-1.0%).

Equities rallied through the first half of October (XSO up ~7% by the 19th) following the release of a Federal Budget that offered meaningful tax relief for consumers and businesses alike, including the extension of JobKeeper/Seeker programs and the unveiling of JobMaker. Also supportive for equities was dovish commentary from the RBA Governor Philip Lowe which opened the door to further policy easing and purchasing of longer-term bonds.

The final weeks of the month were impacted by news of record rises in coronavirus cases in the United States and parts of Europe. As a result, investor apprehension spiked on news that fresh lockdowns may cripple the global economic recovery. Adding to the risk-off sentiment were concerns a US stimulus package would not be agreed upon before the election and signs of a tightening US Presidential race which might raise the prospect of an unworkable US Congress.

Contributing to performance in the month was financial holding and investment platform **Netwealth Group** (NWL; +13.8%) which made record highs following the release of an impressive first quarter update. Better than expected net inflows (up 29% PcP) confirmed that NWL continue to grow at the expense of rivals HUB24 (HUB) and Praemium (PPS).

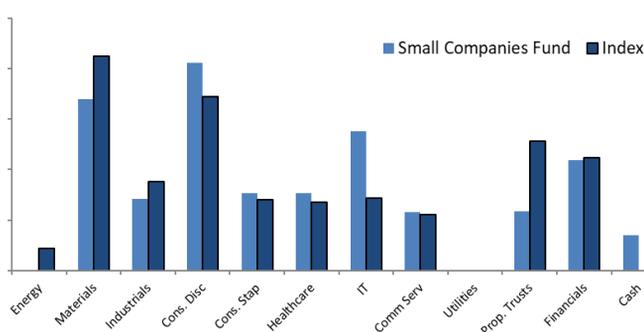
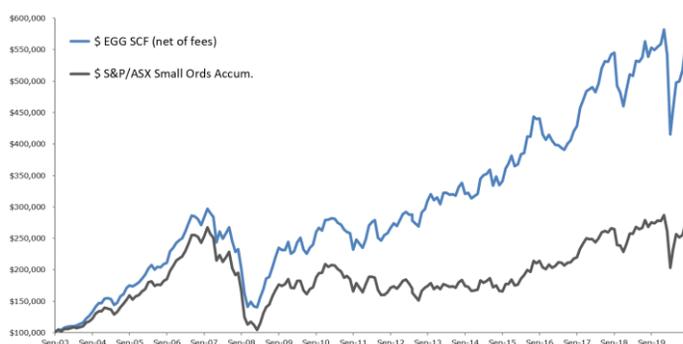
In a positive sign for domestic economic health, vehicle sales began there long awaited recovery across all Australian states and territories ex-VIC. **Eagers Automotive**, (APE; +18.7%) pushed higher on a compelling trading update highlighted by NPAT jumping 45% PcP. Combining with enhance revenue was evidence of a reducing cost base which has been achieved from efficiencies derived from its merger with AHG in August 2019.

Annual general meetings dominated newsflow throughout October with seemingly above average levels of scrutiny directed to agendas, notably remuneration reports and management incentive structures. Updates in the main were positive, reflecting a prevailing buoyant consumer discretionary environment. Automotive after-market group and EGG holding **Bapcor** (BAP) spoke reassuringly about trading for the first quarter of FY21. Stocks whose share prices had overreached fared less well with their management commentaries, such as **Temple & Webster** (TPW; -15.4%), **Adairs** (ADH) and **Baby Bunting** (BBN). Cloud interconnector **Megaport** (MP1; -16.3%) declined in line with tech sector weakness late on in the month. Investors were also underwhelmed by the company's Q1 update, namely moderate revenue growth.

Looking ahead, as borders begin to reopen the Reserve Bank deputy governor declared Australia is technically out of recession with the September quarter showing modest growth. As flagged by the RBA Governor, on 3 November the RBA reduced the cash rate to 10bp and announced \$100bn quantitative easing (bond buying). Finally, the world (and markets) await the outcome of the US election and whether Washington will face policy gridlock issues.

Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep <sup>^</sup> % p.a.
<b>EGG Small Companies Fund</b>	0.51	7.89	1.44	6.83	9.09	7.65	10.61
<b>S&amp;P/ASX Small Ord Accumulation Index (XSOAI)</b>	0.46	4.69	-2.40	4.63	8.56	3.24	5.94
<b>Outperformance</b>	<b>+0.05</b>	<b>+3.19</b>	<b>+3.84</b>	<b>+2.20</b>	<b>+0.52</b>	<b>+4.41</b>	<b>+4.67</b>

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



**STOCK ATTRIBUTION\***

<sup>^</sup>Fund inception September 2003

Code	Stock	Sector
<b>Top 3 Contributors</b>		
<b>APE</b>	Eagers Automotive	Consumer Discretionary
<b>LYC</b>	Lynas Corporation	Materials
<b>NWL</b>	Netwealth Group	Financials
<b>Bottom 3 Detractors</b>		
<b>BKW</b>	Brickworks	Materials
<b>MP1</b>	Megaport	Information Technology
<b>OBL</b>	Omni Bridgeway	Financials

**TOP 5 ACTIVE POSITIONS\***

Code	Stock	Sector
<b>BKW</b>	Brickworks	Materials
<b>EBO</b>	Ebos Group	Health Care
<b>OBL</b>	Omni Bridgeway	Financials
<b>SVW</b>	Seven Group Holdings	Industrials
<b>VOC</b>	Vocus Group	Communication Services

\*Alphabetical order as at 30 October 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 17 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:** \$431.0m as at 30 October 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 17 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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