

Domestic equity markets navigated surges in global Covid-19 cases and fresh local outbreaks to finish the month in positive territory. In December, the Small Ordinaries Accumulation Index (XSOAI) edged higher +2.8%, +1.8% ahead of the ASX100, extending its YTD outperformance to +9% or +26% from the 23 March low. The Eley Griffiths Emerging Companies Fund (ECF) returned +4.3% in the month outperforming its benchmark.

Last month's vaccine news ignited an aggressive rotation into Cyclical/Value names at the expense of Growth/Tech & Covid-19 Stay-At-Home beneficiaries. Investor preference for Value continued into December, yet at a more subdued pace compared to November's whirlwind shift. Gold which suffered its worst month of the year in November, staged a recovery in December.

Contributing to performance in the month was the successful IPO of Playside Studios (PLY; +42.9%). As a private company the Melbourne based electronic games developer has produced console-quality mobile titles in conjunction with global leaders Walt Disney, Warner Bros and Nickelodeon. Beacon Lighting (BLX; +22.6%) rallied following the release of an impressive trading update and revised earnings guidance. The highlight from the announcement was the expected doubling of bottom-line profits achieved in 1H FY20 powered by improved trading conditional across all sales channels: store, trade, international and online retailing.

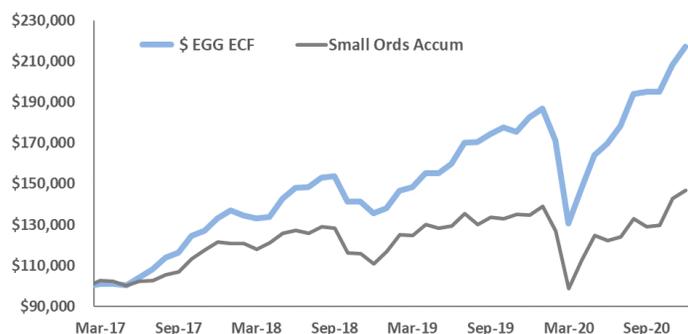
SG Fleet (SGF; +14%) also contributed positively in December. The company is an example of a deep value stock that was added to the portfolio on a P/E of 6x in recent months. The vehicle fleet mgt space in Australia has a relatively benign oligopolistic industry structure. However, versus offshore markets the fleet mgt industry in Australia is ripe for consolidation and we think SGF is the obvious consolidator with industry peers either controlled by offshore parents or without the balance sheet capacity to acquire. Recent media speculation suggests consolidation is close. Scale and synergy benefits would be significant. Within the listed peer set, we believe SGF is currently the best operator with the clearest strategic objectives and the most aligned management team.

Detracting from performance on no significant news flow were Sealink Travel (SLK; -6.1%) and Eclipx Group (ECX; -7.6%), both names softer in the month after rallying +22% and +29% respectively in the month of November. We took the opportunity to add to ECX on weakness.

As we commence CY21, an array of lead indicators are confirming our preference for more economically sensitive stocks. With Copper at \$3.50/lb, Iron Ore >\$150/t, Brent \$55/bbl, the AUD heading toward an 8 handle and global growth set to surprise to the upside (again) in CY21, we have increased the portfolio's commodity and cyclical exposure. We are fully invested with cash sitting at 3%.

Returns post fees	1 Month %	3 Months %	6 Months %	1 Year %	2 years % p.a.	3 years % p.a.	Incep^ %p.a.
EGG Emerging Companies Fund	4.26	11.41	27.93	18.99	26.60	17.71	22.43
S&P/ASX Small Ord Accumulation Index (XSOAI)	2.76	13.83	20.28	9.21	15.21	6.57	10.57
<b>Outperformance</b>	<b>+1.51</b>	<b>-2.42</b>	<b>+7.64</b>	<b>+9.78</b>	<b>+11.48</b>	<b>+11.13</b>	<b>+11.86</b>

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

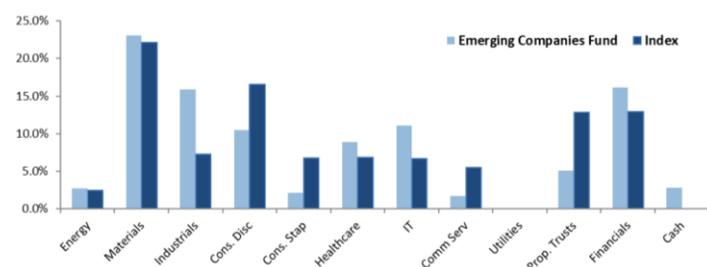


**STOCK ATTRIBUTION\***

^Fund inception March 2017

Code	Stock	Sector
<b>Top 3 Contributors</b>		
BLX	Beacon Lighting Group	Consumer Discretionary
PLS	Pilbara Minerals	Materials
PLY	Playside Studios	Communication Services
<b>Bottom 3 Detractors</b>		
ECX	Eclipx Group	Financials
NPH.NZ	Napier Port Holdings	Industrials
SLK	Sealink Travel Group	Consumer Discretionary

**FUND SECTOR ALLOCATION**



**TOP 5 ACTIVE POSITIONS\***

Code	Stock	Sector
AQZ	Alliance Aviation Services	Industrials
CRN	Coronado Global Resources	Materials
MFT.NZ	Mainfreight	Industrials
PWG	Primewest	Real Estate
TRS	The Reject Shop	Consumer Discretionary

\* Alphabetical order as at 31 December 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/NZX listed stocks outside the S&P ASX 200

**Fund Inception:** March 2017

**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:** \$175.6m as at 31 December 2020

**Minimum Investment:** \$10,000

**Unit Price:** Daily

**APIR Code:** PIM5346AU

**ARSN CODE:** 616328128

## PDS & Applications Forms

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<https://eleygriffithsgroup.com/invest/>

## Existing investor administration:

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## Investment Enquires

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## ELEY GRIFFITHS EMERGING COMPANIES FUND

The Emerging Companies Fund offers investors exposure to a diversified portfolio of Australian listed emerging companies that reside outside the S&P ASX200 Index. The Fund is benchmarked against the S&P ASX Small Ordinaries Accumulation Index and was launched 1 March 2017.

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 (7%) 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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