

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 Small Companies Fund (SCF) returned +3.2% 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.

Value names which led performance for SCF in the month were Credit Corp Group (CCP; +25.0%) and Peet (PPC; +16.5%). CCP, Australia's largest debt purchaser, rallied on Christmas eve on announcing the acquisition of the Australian purchased debt ledger (PDL) book of Collection House Limited (CLH). CCP has a strong track record of deploying capital on favourable terms for its shareholders and this transaction brings increased earnings visibility and an upward revision to earnings growth forecasts for FY21 and beyond. PPC, a residential land developer, is benefitting from increased demand for new homes due to record low mortgage rates and the Government's HomeBuilder stimulus package. In December, investors were also reminded that strategic interest in the business remains.

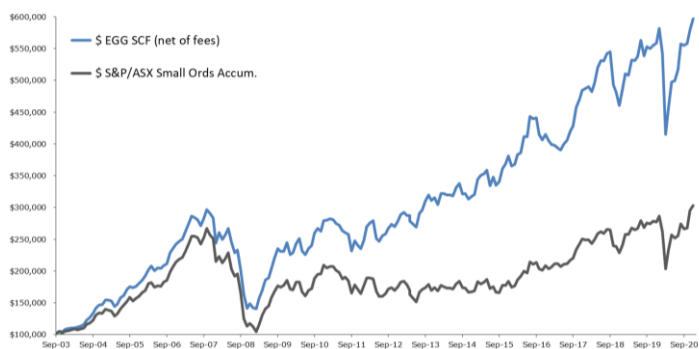
Select Harvest (SHV; -10.7%) Australia's largest almond grower, fell during the month as it became clear the ten year low in almond pricing was likely to endure into CY21. The recent strength of the AUD also resulted in negative earnings revisions. Whilst these two headwinds are likely to persist, we see significant upside for SHV when the almond price, which currently sits below cash cost of production in California (80% of global supply), recovers.

After a 27% rally in November, IDP Education (IDP; -20.4%) fell as speculation of a large sell down from Education Australia, a global reacceleration of Covid-19 and deteriorating Australia/China relations crystallised profit taking. We believe the latter is overplayed and that much like CCP, IEL will have the opportunity to deploy capital to further entrench itself as the dominant player in a very attractive and fragmented industry.

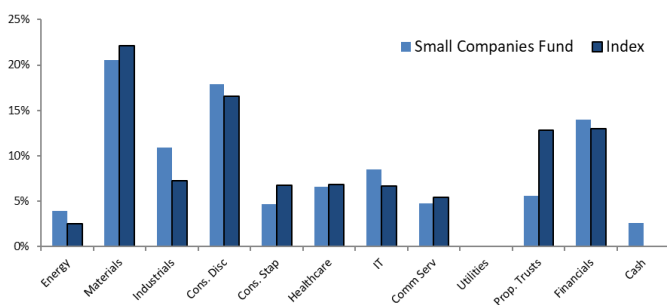
As we commence CY21, an array of lead indicators are confirming our preference for more economically sensitive stocks. With Copper at \$3.50/lb, Iron Ore >\$150/t, Brent \$55/bbl, the AUD heading toward an 8 handle and global growth set to surprise to the upside (again) in CY21, we have increased the portfolio's commodity and cyclical exposure to levels last seen in 2016. We are fully invested with cash sitting at 3%

Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep [^] % p.a.
EGG Small Companies Fund	3.21	7.64	6.91	7.26	9.40	7.90	10.94
S&P/ASX Small Ord Accumulation Index (XSOAI)	2.76	13.83	9.21	6.57	10.46	3.77	6.65
Outperformance	+0.45	-6.19	-2.30	+0.68	-1.06	+4.13	+4.29

\$100,000 SINCE INCEPTION (AFTER FEES)



FUND SECTOR ALLOCATION



STOCK ATTRIBUTION*

[^]Fund inception September 2003

Code	Stock	Sector
Top 3 Contributors		
CCP	Credit Corp Group	Financials
EBO	Ebos Group	Health Care
PPC	Peet	Real Estate
Bottom 3 Detractors		
CNU	Chorus	Communication Services
IEL	idp Education	Consumer Discretionary
SHV	Select Harvest	Consumer Staples

TOP 5 ACTIVE POSITIONS*

Code	Stock	Sector
EBO	Ebos Group	Health Care
IEL	Idp Education	Consumer Discretionary
OBL	Omni Bridgeway	Financials
SVW	Seven Group Holdings	Industrials
SSR	SSR Mining Inc.	Materials

*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 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% p.a. of Outperformance above the S&P/ASX Accumulation Index (After Base Management Fee)

Fund size: \$464.5m as at 31 December 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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