

In January, the Eley Griffiths Small Companies Fund (SCF) finished up +0.43% in the month outperforming its benchmark the Small Ordinaries Accumulation Index (XSOAI) which declined -0.25%.

The benchmark began the new year assertively only to concede ground in the final days of January. Energy names moved lower (-4.9%) as did most gold stocks while lithium/rare earths counters enjoyed solid support from investors. Telecommunication Services was the best performing sector in January, up 3.9%, followed by Consumer Discretionary (+3.2%) and Financials (+2.1%).

In our January 2020 report we noted online bookmaker Pointsbet Holdings (PBH; +31.5%) had made a breakthrough in the US market by securing two critical casino partnerships in Michigan and Kansas. Fast forward 12 months and PBH has launched in New Jersey, Iowa, Indiana, Illinois, and Colorado. New Jersey and Illinois the standouts, in both states PBH's market share has surpassed 14%. In January, PBH announced that Michigan (pop. 10m) has authorised the commencement of online sport betting becoming their sixth operational US state. Ambitious targeted marketing partnerships signed with NBC Sports, NBA's Detroit Pistons, NHL's Detroit Red Wings and the MBL's Detroit Tigers see PBH well placed to capitalise on Michigan's legalisation of online gambling and further accelerated active US clients, already up 71% since 30 September 2020.

Lynas Rare Earths (LYC; +20.1%) ascent continued in the month after last quarter's +70% surge. In the month LYC signed a contract with the United States Government to co-fund the constructions of a Light Rare Earths processing facility based in Texas. The facility would house both

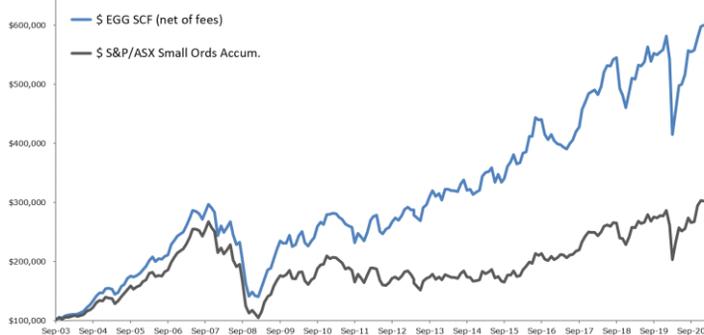
Heavy Rare Earths and Light Rare Earths processing facilities following July's contract with the U.S. Department of Defence to establish a Heavy Rare Earth separation facility. The plant will receive material directly from LYC's cracking & leaching plant in Kalgoorlie to produce defence and commercial applications such as electric vehicles and green technologies.

Our preference toward economically sensitive stocks continued in the month. Commodity and cyclical exposure edged up again in the month with positions in IGO (IGO) and ARB Corporation (ARB) increased, whilst Fletcher Building (FBU) and Iluka Resources (ILU) were added to the portfolio.

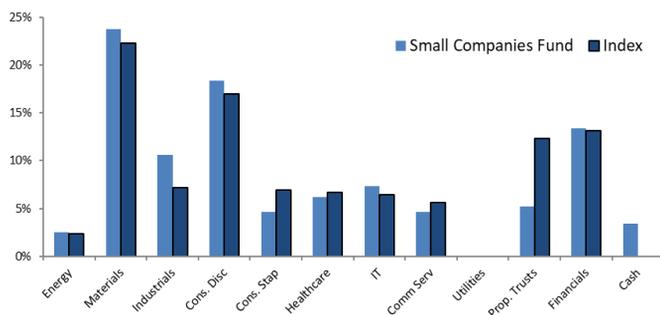
It is anticipated that February's half year reporting season will generally be in line with expectations given the backdrop of a resurgent resources market, buoyant property and construction industries and a resilient consumer hoarding historically high savings. Pre-season earnings confessions have been few. Coupled with a vaccine rollout, further normalisation of consumer spending and business investment in the year ahead should be supportive of small cap earnings growth.

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>	0.46	7.59	3.16	7.21	10.46	7.92	10.92
<b>S&amp;P/ASX Small Ord Accumulation Index (XSOAI)</b>	-0.25	13.03	5.38	6.68	11.56	3.97	6.61
<b>Outperformance</b>	<b>+0.71</b>	<b>-5.44</b>	<b>-2.22</b>	<b>+0.53</b>	<b>-1.10</b>	<b>+3.95</b>	<b>+4.31</b>

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



**FUND SECTOR ALLOCATION**



**STOCK ATTRIBUTION\***

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

Code	Stock	Sector
<b>Top 3 Contributors</b>		
IEL	Idp Education	Consumer Discretionary
LYC	Lynas Rare Earths	Materials
PBH	Pointsbet Holdings	Consumer Discretionary
<b>Bottom 3 Detractors</b>		
OBL	Omni Bridgeway	Financials
SGM	Sims	Materials
SSR	SSR Mining Inc	Materials

**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
VOC	Vocus Group	Communication Services

\*Alphabetical order as at 31 January 2021

## 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:** \$466.7m as at 31 January 2021

**Minimum Investment:** \$25,000

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

## PDS & Applications Forms

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## Existing investor administration:

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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 16 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 14 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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