

In February, the Eley Griffiths Emerging Companies Fund (ECF) finished up +0.62% in the month underperforming its benchmark, the Small Ordinaries Accumulation Index (XSOAI) which increased 1.55%.

On a simple 'results Beats/Misses' metric, February's half year corporate reporting season was one of the best in many years. A benign confession season (in the prior month) was likely the best lead indicator of a positive reporting season. Despite this, unless management offered a meaningful surprise to earnings or outlook, many names traded lower given the solid hard rally we saw in preceding months. On average small Industrial EPS estimates for FY22 were downgraded by around 3%. Industrial names fell 8.5% whilst the Materials sector finished up 3%. Investors were quick to cut exposures to gold, coal and mining services names during the month with this having an adverse impact on several portfolio holdings. Telecommunication Services backed up January's strong performance, rallying 3.9%, followed by strong showings from Financials (+6.7%) and Consumer Staples (+3.7%).

Transport and tourism provider **Sealink Travel Group** (SLK; +32.6%) rallied strongly into month end on a solid result and in response to across-the-board earnings upgrades. The company also detailed the contribution from recently acquired (Jan 2020) Transit Systems Group, an operator of metropolitan bus services across Australian. SLK is poised to continue to benefit from the COVID recovery with business units spanning public buses, light rail, marine transport, tourism packaging and accommodation. A sound balance sheet provides options for growth strategies via new contracts or acquisitions.

Weighing on performance in the month was metallurgical coal producer **Coronado Global Resources** (CRN; -17.2%). CY20 financials has been largely pre-reported, what caught investors off guard was a higher-than-expected cost forecast. We added to our position amidst the share price weakness. Your manager remains a believer in the global reflation trade. A rapid recovery in global economic activity combined with structural deficits across many commodities will manifest itself in higher prices across hard and soft commodities, long-out-of-favour small cap resource stocks will be natural beneficiaries of this phenomenon.

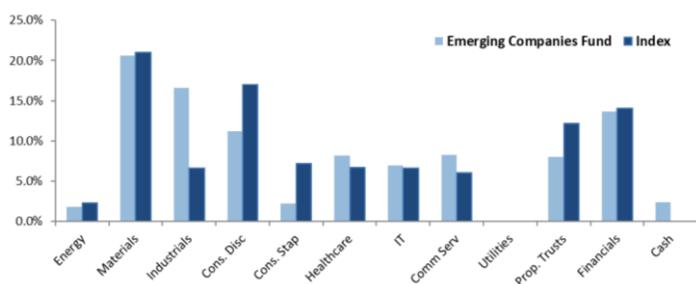
Long bond yields have risen sharply over recent weeks, signalling the outlook for inflation and economic growth. Assuming the global vaccine rollout is successful, consumer discretionary activity will ramp up sharply supported by cashed up households. This will have investment multiplier effects on business capex. Despite data (jobs & mortgage growth) suggesting the domestic economic recovery on track, the RBA asserted the need for ongoing and "very significant" monetary support in the aftermath of the COVID-19 crisis. The RBA followed through with a sizable \$4 billion bond buying program.

Returns post fees	1 Month %	3 Months %	1 Year %	2 years % p.a.	3 years % p.a.	4 years % p.a.	Incep^ %p.a.
EGG Emerging Companies Fund	0.62	6.42	29.59	22.93	18.09	22.03	22.03
S&P/ASX Small Ord Accumulation Index (XSOAI)	1.55	4.08	17.18	9.13	7.21	10.46	10.46
<b>Outperformance</b>	<b>-0.93</b>	<b>+2.33</b>	<b>+12.41</b>	<b>+13.97</b>	<b>+10.87</b>	<b>+11.56</b>	<b>+11.56</b>

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



### FUND SECTOR ALLOCATION



### STOCK ATTRIBUTION\*

^Fund inception March 2017

Code	Stock	Sector
<b>Top 3 Contributors</b>		
JLG	Johns Lyng Group	Industrials
SLK	Sealink Travel Group	Consumer Discretionary
SGF	SG Fleet Group	Industrial
<b>Bottom 3 Detractors</b>		
CRN	Coronado Global Resources	Materials
MLD	MACA	Materials
MAH	Macmahon Holdings	Materials

### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
AQZ	Alliance Aviation Services	Industrials
ABB	Aussie Broadband	Communication Services
CRN	Coronado Global Resources	Materials
MFT.NZ	Mainfreight	Industrials
PWG	Primewest	Real Estate

\* Alphabetical order as at 26 February 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/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:** \$190.6m as at 26 February 2021

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

**Unit Price:** Daily

**APIR Code:** PIM5346AU

**ARSN CODE:** 616328128

## PDS & Applications Forms

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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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