

In February, the Eley Griffiths Small Companies Fund (SCF) finished up +0.57% 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%).

Contributing to the portfolio's performance was **Vocus Group** (VOC; +22.3%) which received an indicative proposal from Macquarie Group Infrastructure and Real Assets (MIRA) and Aware Super to acquire the business, attracted to VOC's vast fibre infrastructure network.

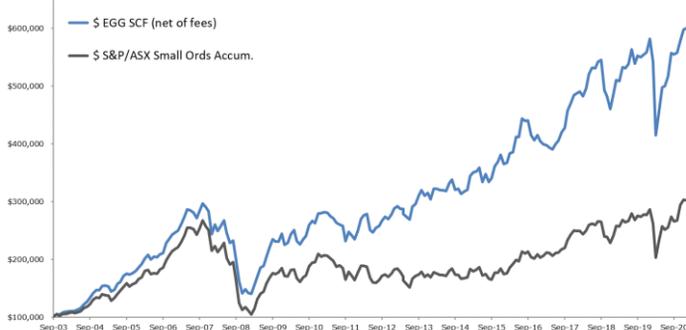
Jewellery and accessories retailer **Lovisa Holdings** (LOV; +36.3%) bounced on its H1 results release despite reporting declining revenue and profits. The bull case for LOV is predicated on a sizable global rollout opportunity, a vaccinated consumer, and a conservative funding position. It is encouraging to note a 12% same store sales growth YOY in the first 7 weeks of the calendar year.

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 %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep <sup>^</sup> % p.a.
<b>EGG Small Companies Fund</b>	0.57	4.28	11.27	7.16	10.41	7.90	10.90
<b>S&amp;P/ASX Small Ord Accumulation Index (XSOAI)</b>	1.55	4.08	17.18	7.21	11.70	4.00	6.67
<b>Outperformance</b>	<b>-0.98</b>	<b>+0.20</b>	<b>-5.91</b>	<b>-0.06</b>	<b>-1.29</b>	<b>+3.90</b>	<b>+4.23</b>

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

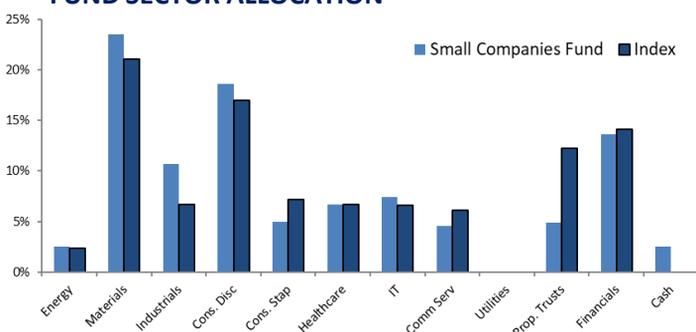


**STOCK ATTRIBUTION\***

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

Code	Stock	Sector
<b>Top 3 Contributors</b>		
IEL	Idp Education	Consumer Discretionary
LOV	Lovisa Holdings	Consumer Discretionary
VOC	Vocus Group	Communication Services
<b>Bottom 3 Detractors</b>		
CRN	Coronado Global Resources	Materials
IFM	Infomedia	Information Technology
SSR	SSR Mining Inc	Materials

**FUND SECTOR ALLOCATION**



**TOP 5 ACTIVE POSITIONS\***

Code	Stock	Sector
EBO	Ebos Group	Health Care
IEL	Idp Education	Consumer Discretionary
IGO	IGO	Materials
SVW	Seven Group Holdings	Industrials
SIM	Sims	Materials

\*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 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:** \$470.9m as at 26 January 2021

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

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

## PDS & Applications Forms

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

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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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