

The Eley Griffiths Group Small Companies Fund increased 5.0% in June outperforming its benchmark, the Small Ordinaries Accumulation Index which finished +3.1%. Small caps added +0.9% to its outperformance of large caps, finishing up a robust 33.2% or 5.3% ahead of the ASX 100 for FY21.

The Fed worked to a hawkish tilt in the month, signalling tapering and ultimately putting tightening back on the table to avoid overshooting the targeted inflation band. The modified narrative flattened the US yield curve by 23bp, triggering moves across a range of asset classes. In equity markets, growth stocks came back into fashion clawing the Small Cap Tech sector back into the black (+3%) for FY21. Leading Small Cap sectors for the FY21 were Consumer Discretionary (+37%), Financials (+35%) Telecommunication Services (+31%) and Materials (+23%).

The start of yield curve compression saw cyclical names sold off in the month. Commodity markets reacted sharply with inflation sensitive gold falling 8%. As a result, EGG gold portfolio holdings gave back ground after May's healthy performance. Detracting from performance was SSR Mining (-17%) and Silver Lake (-17%) which Daisy Complex underground mine operations were temporarily suspended in the month.

Iress (IRE; +21%) surged from early June trading on reports of potential corporate interest in the company. This prompted management to provide the market with confirmation of FY21 profit guidance as well a strategy update on key business segments. IRE, a significant long-standing investment for the fund, remains committed to EPS accretion through a variety of initiatives. EGG managers believe the recent share price has long understated the company's intrinsic value.

Iluka Resources (+19%) enjoyed investor support in the month on news of Rio Tinto halted all mining and smelting operations at the Richards Bay Mineral in South Africa declaring force majeure on customer contracts.

Top down, despite the present vaccine rollout concerns, corporate confidence and economic data continues to print at pleasingly strong levels. Fiscal and monetary policy is working in union, and elevated business and household savings are driving strong demand. Indeed, conditions remain constructive for small cap equities, especially value/cyclical names which have historically outperformed in an environment where the yield curve steepens.

| Returns post fees                            | 1 Month %    | 3 Months %   | 1 year %     | 3 years % p.a. | 5 years % p.a. | 10 years % p.a. | Incep <sup>A</sup> % p.a. |
|--|--------------|--------------|--------------|----------------|----------------|-----------------|---------------------------|
| EGG Small Companies Fund                     | 4.97         | 9.86         | 32.79        | 7.67           | 10.02          | 9.67            | 11.28                     |
| S&P/ASX Small Ord Accumulation Index (XSOAI) | 3.08         | 8.50         | 33.23        | 8.60           | 11.24          | 5.99            | 7.08                      |
| <b>Outperformance</b>                        | <b>+1.89</b> | <b>+1.36</b> | <b>-0.44</b> | <b>-0.93</b>   | <b>-1.22</b>   | <b>+3.67</b>    | <b>+4.20</b>              |

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

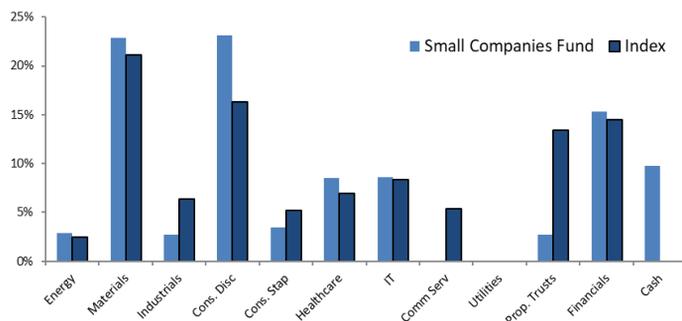
### \$100,000 SINCE INCEPTION (AFTER FEES)



### STOCK ATTRIBUTION\*

| Code                       | Stock                 | Sector                 |
|----------------------------|-----------------------|------------------------|
| <b>Top 3 Contributors</b>  |                       |                        |
| ILU                        | Iluka Resources       | Materials              |
| IRE                        | IRESS                 | Information Technology |
| PNI                        | Pinnacle Investments  | Financials             |
| <b>Bottom 3 Detractors</b> |                       |                        |
| OBL                        | Omni Bridgeway        | Financials             |
| SLR                        | Silver Lake Resources | Materials              |
| SRR                        | SSR Mining            | Materials              |

### FUND SECTOR ALLOCATION



### TOP 5 ACTIVE POSITIONS\*

| Code | Stock                | Sector                 |
|------|----------------------|------------------------|
| BWX  | BWX                  | Consumer Staples       |
| EBO  | EBOS                 | Health Care            |
| IRE  | IRESS                | Information Technology |
| PNI  | Pinnacle Investments | Financials             |
| SSR  | SSR Mining           | Materials              |

\*Alphabetical order as at 30 June 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:** \$507.6m as at 30 June 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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### Investment Enquires

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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** 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.

**Nick Guidera** joined Eley Griffiths in September 2016 after 6 years at the global equity research house CLSA, in both analytical and research sales roles in the US & Australia. Prior to financial markets Nick spent 4 years as a practicing lawyer. Nick holds a Bachelor of Laws & Graduate Certificate of Legal Practice from University of Technology and a Master of Financial Management from the Macquarie Graduate School of Management.

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