

The Australian equity market run of outperformance relative to global peers came to an end in May. Big picture macro factors such as inflation, rate hikes and China's Zero-COVID policy combined to weigh on the local market. The Eley Griffiths Group Emerging Companies Fund finished lower by 9.0% versus the Small Ordinaries Accumulation Index, which declined 7.0%.

Concerns that higher interest rates could impact consumer confidence dragged housing and consumer discretionary names lower. Softness in Beacon Lighting (-16.6%) and Universal Store Holdings (-14.6%) examples. Labour shortages and supply issues has become a familiar explanation of guidance downgrades. Portfolio holding Aussie Broadband (-24.8%) warned that sales growth could be impacted by reduced marketing during the election, mobile-phone handset supply issues and inferior customer service standards as they struggle to recruit for its call centre.

Actions by management, rather than company performance, saw two portfolio holdings sold down in the month. DGL's (-26.8%) CEO made inflammatory comments about the performance of a fellow New Zealand based company IPO and its CEO. Johns Lyng Group (-32.9%) were marked down after

the CEO and COO each sold 1m shares, accompanying the groups reaffirmed earnings guidance.

Against the volatile backdrop, low-beta, defensive portfolio holdings were bid, Propel Funeral Partners (+7.4%), Cobram Estate Olives (+9.4%) and G8 Education (+4.6%). Finally, chartered flights company Alliance Aviation (+7.4%) received a takeover bid from Qantas, three years after it acquired a 19.9 per cent stake in Alliance.

After 18 consecutive rate cuts (4.75% to 0.10%) the RBA increased rates for the first time in over 11.5 years +25 bps to 0.35% in May. In the US, rate increase forecasts softened after April CPI data comforted investors that the economy had moved past peak inflation. Subsequent to month end, a higher than expected inflation rate in May shook markets and reignited the prospect of a more aggressive tightening cycle.

Returns post fees	1 Month %	3 Months %	1 Year %	3 years % p.a.	5 years % p.a.	Incep^ %p.a.
EGG Emerging Companies Fund	-8.98	-6.77	-0.92	15.04	18.69	17.81
S&P/ASX Small Ord Accumulation Index (XSOAI)	-7.01	-3.58	-4.56	5.50	8.49	8.13
Outperformance	-1.97	-3.18	+3.63	+9.54	+10.20	+9.68

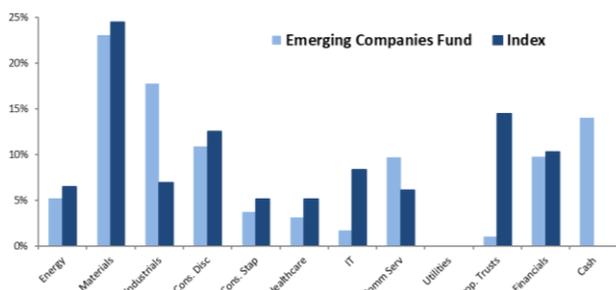
^Fund inception March 2017. Past performance is not an indicator of future performance

\$100,000 SINCE INCEPTION (AFTER FEES)



^Fund inception March 2017. Past performance is not an indicator of future performance

FUND SECTOR ALLOCATION



STOCK ATTRIBUTION*

Code	Stock	Sector
Top 3 Contributors		
AQZ	Alliance Aviation Services	Industrials
MND	Monadelphous Group	Industrials
PFP	Propel Funeral Partners	Consumer Discretionary
Bottom 3 Detractors		
ABB	Aussie Broadband	Communication Services
DGL	DGL Group	Materials
JLG	Johns Lyng Group	Industrials

TOP 5 ACTIVE POSITIONS*

Code	Stock	Sector
CMM	Capricorn Metals	Materials
DGL	DGL Group	Materials
FFX	Firefinch	Materials
MGX	Mount Gibson Iron	Materials
PSI	Psc Insurance Group	Financials

* Alphabetical order as at 31 May 2022

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.

We are style agnostic and can own both growth and value companies to construct portfolios. The aim of our investment process is to deliver consistent outperformance through all market conditions.

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)

This fund is appropriate for investors with “High” and “Very High” risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the [TMD](#) for further information

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 Small Ordinaries Accumulation Index (After Base Management Fee)

Fund size: \$280.7m as at 31 May 2022

Minimum Investment: \$10,000

Unit Price: Daily

APIR Code: PIM5346AU

ARSN CODE: 616328128

Investment Enquires:

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PDS & Online Applications Forms:

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

Existing investor administration:

Link Fund Solutions

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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 aims to outperform through the market cycles.

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 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.

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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