

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 Small Companies Fund finished lower by 7.1% versus the Small Ordinaries Accumulation Index, which declined 7.0%.

In a down month, Small Resources (-6.0%) again outperformed Small Industrials (-7.5%), coal names were amongst the leading performers in the month as thermal coal prices rallied. Brent followed suit (+12%) aiding portfolio holding Beach Energy (+6.2%). Elsewhere, softer ferrous and non-ferrous scrap prices prompted analysts to review their Sims (-15.1%) estimates and recommendations, resulting in a softer stock performance for in the month.

Weak earnings guidance, and more generally concerns that higher interest rates could impact the consumer, dragged on housing and consumer discretionary names. Car dealer and portfolio holding Eagers Automotive (-18.5%) trading update underwhelmed investors. Notwithstanding strong demand, the lack of supply of vehicles the catalyst of the revision in profit

expectations. Corporate Travel Management (-15.5%) warned that "short-term" staff shortages and pandemic variants have buffeted trading performance.

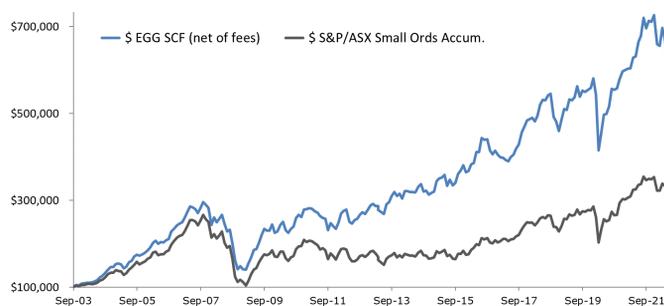
Contributing to returns in the month was retinal diseases biotech Opthea (OPT; +34.5%). OPT competitor Kodiak Sciences plummeted by 80% after the company's experimental eye drug failed in an important clinical trial. Meanwhile OPT-302, OPT's lead treatment asset, has been progressed to a Phase 3 clinical trial. Strong performance track record and steady funds inflow saw global fund manager GQG (+17.1%) garner investor support. Finally, against the volatile backdrop, low-beta defensive holding NIB Holdings (+4.4%) received a bid.

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. | 10 years % p.a. | Incep <sup>A</sup> % p.a. |
|--|--------------|--------------|--------------|----------------|----------------|-----------------|---------------------------|
| EGG Small Companies Fund                     | -7.07        | -5.18        | -1.63        | 5.40           | 9.75           | 9.49            | 10.31                     |
| S&P/ASX Small Ord Accumulation Index (XSOAI) | -7.01        | -3.58        | -4.56        | 5.50           | 8.49           | 6.33            | 6.28                      |
| <b>Outperformance</b>                        | <b>-0.06</b> | <b>-1.59</b> | <b>+2.92</b> | <b>-0.10</b>   | <b>+1.26</b>   | <b>+3.16</b>    | <b>+4.03</b>              |

<sup>A</sup>Fund inception September 2003. Past performance is not an indicator of future performance

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

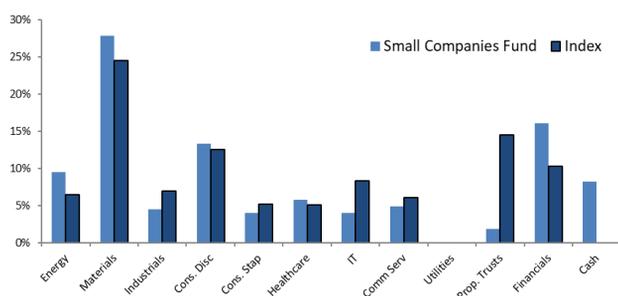


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### STOCK ATTRIBUTION\*

| Code                       | Stock                       | Sector                 |
|----------------------------|-----------------------------|------------------------|
| <b>Top 3 Contributors</b>  |                             |                        |
| GQG                        | GQG Partners Inc.           | Financials             |
| MND                        | Monadelphous Group          | Industrials            |
| OPT                        | Opthea                      | Health Care            |
| <b>Bottom 3 Detractors</b> |                             |                        |
| CTD                        | Corporate Travel Management | Consumer Discretionary |
| APE                        | Eagers Automotive           | Consumer Discretionary |
| SGM                        | Sims                        | Materials              |

### FUND SECTOR ALLOCATION



### TOP 5 ACTIVE POSITIONS\*

| Code | Stock            | Sector                 |
|------|------------------|------------------------|
| BRG  | Breville Group   | Consumer Discretionary |
| CMM  | Capricorn Metals | Materials              |
| EBO  | Ebos Group       | Health Care            |
| ILU  | Iluka Resources  | Materials              |
| IRE  | IRESS            | Information Technology |

\*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 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 Small Ordinaries Accumulation Index (After Base Management Fee)

**Fund size:** \$425.1m as at 31 May 2022

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

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

### 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 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 18 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 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 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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