

Global equity markets (ex-China) rebounded strongly in July. The Small Ordinaries Accumulation Index rallied +11.4% over the month, a significant outperformance against large caps which gained +5.5%. The Eley Griffiths Group Emerging Companies Fund finished +9.4% higher in the month and since inception (March 2017) the Fund has returned +15.9% p.a. after fees for unitholders.

There was early indication that bad news is now being discounted into stock prices. Markets pushed higher despite the US CPI report for June the highest print in 41 years, 9.1% year on year compared to the 8.8% estimate. Equities took the number in its stride failing to extinguish the “risk on” sentiment. As predicted, The Federal Reserve (Fed) raised rates by 75bp in response and whilst Fed Chair Powell’s broader messaging didn’t overly change, comments that the US economy may be showing signs of slowing were less hawkish than expected. The war on inflation is being won. The market responded by pricing in a lower peak Federal Funds rate and increasing the likelihood that rates may be eased in 2023 reflecting the impact higher rates will have the on real economy.

Locally, the Reserve Bank of Australia delivered +50bps after the Q2 CPI came in at 6.1% YoY, the highest since 1990. Once more, equity markets responded positively to the dovish post meeting statements, “we don’t need to return inflation to

target immediately... we are seeking to do this in a way in which the economy continues to grow, and unemployment remains low” (Australian Strategic Business Forum, 20 July 2022 Governor Lowe).

Outside non-gold resource names and agricultural stocks, the upswing was sectorally broad based. Standing out were those most beaten-up by inflation and central bank rate hike fears, namely Information Technology (+18%) and Financials (+15%). Portfolio growth names which contributed to performance in the month were Megaport (MP1; +78%) and Tuas (TUA; +40%). Global cloud connector MP1 announced a blow-out quarterly result which showed positive cash flow and EBITDA for first time ever. TUA is the Singapore mobile business spun out of the TPG and Vodafone merger. The former TPG team has a track record of growing market share offering customers good coverage and an affordable solution. Consumer Discretionary (+11%) names also bounced after weakness in prior months, portfolio holding Beacon Lightening found support (+34%).

Focus now turns to the August corporate earnings results and whether investors have been heavy handed in their treatment of stocks. The lead from the US 2Q reporting season has been adequate. Attention will be trained on the impacts of inflation on operating cost structures, a higher rate environment and the health of the consumer.

Returns post fees	1 Month %	3 Months %	1 Year %	3 years % p.a.	5 years % p.a.	Incep <sup>A</sup> %p.a.
EGG Emerging Companies Fund	9.42	-14.53	-11.28	9.24	15.43	15.86
S&P/ASX Small Ord Accumulation Index (XSOAI)	11.43	-9.94	-10.93	2.55	7.30	7.24
<b>Outperformance</b>	<b>-2.02</b>	<b>-4.59</b>	<b>-0.35</b>	<b>+6.69</b>	<b>+8.12</b>	<b>+8.63</b>

<sup>A</sup>Fund inception March 2017. Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of Eley Griffiths Group’s management fees and assumes reinvestment of distributions. No allowance has been made for taxation or any fees charged by operators of master trusts or wrap accounts through which the products are offered. Returns of more than one year are annualised. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed.

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



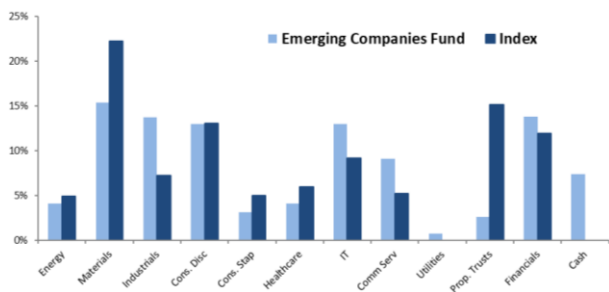
<sup>A</sup>Fund inception March 2017. Past performance is not an indicator of future performance

**STOCK ATTRIBUTION\***

Code	Stock	Sector
<b>Top 3 Contributors</b>		
BLX	Beacon Lighting Group	Consumer Discretionary
CMM	Capricorn Metals	Materials
TUA	Tuas	Communication Services
<b>Bottom 3 Detractors</b>		
A1M	AIC Mines	Materials
DGL	DGL	Materials
LLL	Leo Lithium	Materials

\* Alphabetical order as at 31 July 2022

**FUND SECTOR ALLOCATION**



**TOP 5 ACTIVE POSITIONS\***

Code	Stock	Sector
BLX	Beacon Lighting Group	Consumer Discretionary
CMM	Capricorn Metals	Materials
MFT.NZ	Mainfreight	Industrials
OFX	OFX Group	Financials
TUA	Tuas	Communication Services

\* Alphabetical order as at 31 July 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:** \$262.6m as at 31 July 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:

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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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