

Equity markets could not maintain the strength of the previous two months and drifted lower in December. The Small Ordinaries Accumulation Index returned -3.7%, the Eley Griffiths Group Emerging Companies Fund finished -4.0% lower and since inception (March 2017) the Fund has returned +14.5% p.a. after fees for unitholders.

Despite the US November consumer price index (CPI) print coming in below expectations and the lowest in a year, US Federal Reserve chairman Jerome Powell's signalled that interest rate increases will continue, albeit at a slower pace. Powell dampened hopes of a Fed 'pivot' suggesting rates may stay higher for longer to achieve price stability, implying a return to 2% inflation overtime. (Powell's Press Conference December 14)

Lithium names retreated In December amid concerns around the sustainability of electric vehicle (EV) demand and weaker battery supply chain destocking. A rotation away from Lithium contributed to Gold's strength as did the Bank of Japan's unexpected reversal on its YCC policy (Yield Curve Control) which sent the USD lower triggering commodities priced in USD to trade higher. Contributing to returns in the month were portfolio Gold holdings Capricorn Metals (+9.5%) and OreCorp (+25.7%).

Silex Systems (SLX; +12.2%) is commercialising its laser technology to enrich uranium and silicon. In the month SLX announced the achievement of several key project milestones. Beacon Lighting Group (BLX; +10.4%) traded higher as investors anticipate its strategy to develop its Trade (and International) business will offset and outweigh the risk of a cyclical downturn triggered by the rapid cash rate increases over the past 6 months.

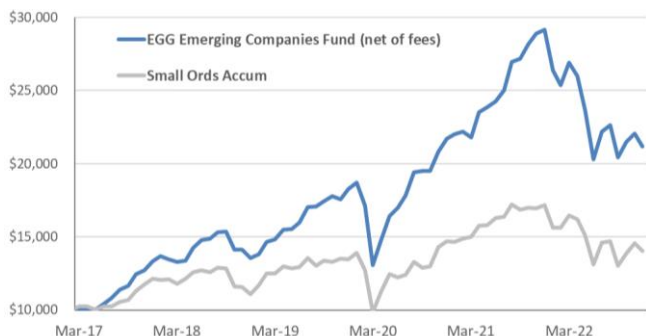
Detracting from returns in the month was property settlements platform company PEXA Group (PXA; -17.9%). To pay down borrowings, Link Group (LNK) sold 10% of its existing 43% stake in PXA, its remaining shares to be transferred to LNK shareholders via an in-specie distribution.

As we move past peak inflation prints central banks will balance guiding inflation lower without bringing economic growth to a grinding halt. As the pace of central banks rate hikes decline, governing company earnings and market direction will shift from monetary policy to bottom-up company fundamentals.

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	-4.02	3.56	-27.38	5.07	9.71	14.52
S&P/ASX Small Ord Accumulation Index (XSOAI)	-3.73	7.54	-18.38	1.38	2.92	6.66
<b>Outperformance</b>	<b>-0.29</b>	<b>-3.98</b>	<b>-9.00</b>	<b>+3.69</b>	<b>+6.79</b>	<b>+7.86</b>

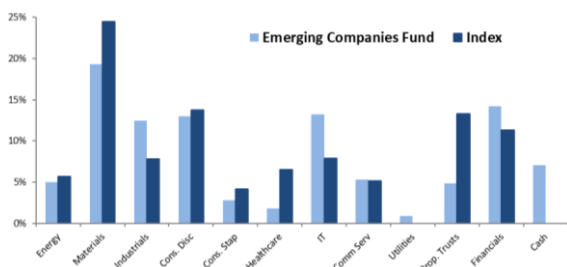
<sup>A</sup>Fund inception March 2017. Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of Eley Griffiths 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.

### \$10,000 SINCE INCEPTION (AFTER FEES)



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

### FUND SECTOR ALLOCATION



### STOCK ATTRIBUTION\*

Code	Stock	Sector
<b>Top 3 Contributors</b>		
BLX	Beacon Lighting Group	Consumer Discretionary
CMM	Capricorn Metals	Materials
SLX	Silex Systems	Information Technology
<b>Bottom 3 Detractors</b>		
360	Life360 Inc	Information Technology
PXA	PEXA Group	Real Estate
STA	Strandline Resources	Materials

\* Alphabetical order as at 31 December 2022

### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
CMM	Capricorn Metals	Materials
MND	Monadelphous Group	Industrials
PNI	Pinnacle Investment	Financials
PSI	PSC Insurance Group	Financials
THL.NZ	Tourism Holdings	Industrials

\* Alphabetical order as at 31 December 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:** \$258.1m as at 31 December 2022

**Minimum Investment:** \$10,000

**Unit Price:** Daily

**APIR Code:** PIM5346AU

**ARSN CODE:** 616328128

### Investment Enquires:

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### 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.