

In May, the Small Ordinaries Accumulation Index (XSOAI) finished up +0.3% recovering from a -3% deficit intra-month. Outperforming its benchmark, the Eley Griffiths Group Small Companies Fund (SCF) returned +0.5%. Aided by soaring iron ore prices and solid bank earnings results, large caps outpaced small caps with the S&P/ASX100 Accumulation Index rising +2.6%. The big miners and banks lifted the benchmark to a record high.

The pro-cyclical rotation maintained momentum, spurred on by dazzling US inflation data and comments made by US Treasury Secretary Yellen on the conceivable need for rate hikes. Investors reduced Growth/High PE exposure (Information Technology; -6%) favouring an allocation to value, cyclicals names, and golds.

Gold stocks of all ilk rebounded strongly through May as the physical gold price drew support from a meltdown in cryptocurrency (Bloomberg Crypto Index -24% after being +35% mid-month). EGG gold portfolio holding SSR Mining performed well in May (+21%) with investors encouraged by the company's quarterly highlighting stronger production, free cash flow and improved balance sheet metrics. Coal stocks also recovered sharply after firm export markets for coal (both thermal and coking) bid prices higher notwithstanding the Chinese Central Government rhetoric on commodity price kerbs.

Domestically, the Government parked the deficit repair narrative and handed down a growth orientated Budget containing announcements of generous stimulus policies. The Budget was viewed positively, being supportive for stocks coupled to the Australian economy with retailers, construction, and finance names among the beneficiaries.

Contributing to performance and bucking the Information Tech sector weakness was financial software holding IRESS (IRE). Post late April's upgrade to NPAT guidance for FY21, IRE has gained sustained support from investors sitting in the unique camp of Value Tech.

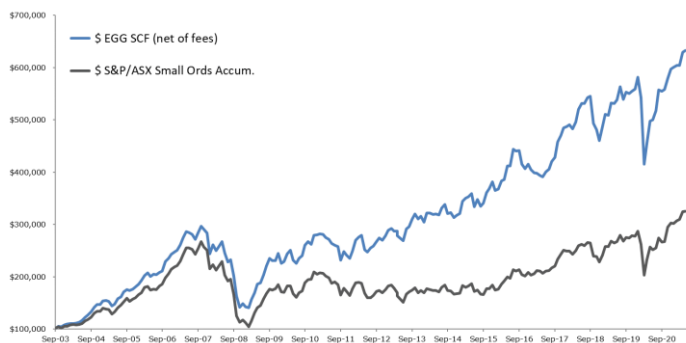
Despite buoyant commodity prices, Mining Services players continue to lag on minimal company-specific news, e.g., Monadelphous Group which slumped -23% detracted from performance. The reality of labour and skills shortage issues, cost pressures, without the flexibility to raise prices has impacted on investor perceptions around mining service names.

Looking ahead inflation velocity appears to continue as the dominate topic. The Fed have suggested the spike is transitional while locally the RBA does not believe inflation is sustainable unless wages growth hits 3% yoy, holding the line that "2024 at the earliest" is when it will lift interest rates.

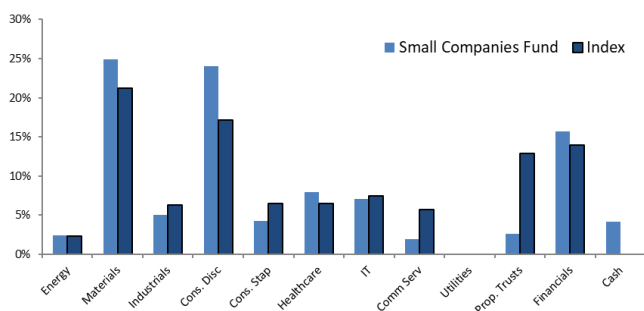
Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep <sup>A</sup> % p.a.
EGG Small Companies Fund	0.51	4.74	27.00	6.71	8.95	8.81	11.03
S&P/ASX Small Ord Accumulation Index (XSOAI)	0.27	6.09	26.73	7.89	10.27	5.12	6.93
<b>Outperformance</b>	<b>+0.25</b>	<b>-1.35</b>	<b>+0.27</b>	<b>-1.18</b>	<b>-1.32</b>	<b>+3.69</b>	<b>+4.10</b>

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

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



### FUND SECTOR ALLOCATION



### STOCK ATTRIBUTION\*

Code	Stock	Sector
<b>Top 3 Contributors</b>		
EBO	EBOS	Health Care
IRE	IRESS	Information Technology
SSR	SSR Mining	Materials
<b>Bottom 3 Detractors</b>		
KAR	Karoon Energy	Energy
MND	Monadelphous Group	Industrials
NUF	Nufarm	Materials

### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
CMM	Capricorn Metals	Materials
EBO	EBOS	Health Care
IRE	IRESS	Information Technology
PNI	Pinnacle Investments	Financials
SSR	SSR Mining	Materials

\*Alphabetical order as at 31 May 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:** \$485.8m as at 31 May 2021

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

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

### PDS & Applications Forms

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

[info@eg-group.com.au](mailto:info@eg-group.com.au) | +61 2 8311 5175

### Existing investor administration:

Link Fund Solutions

[LFS\\_registry@linkgroup.com](mailto:LFS_registry@linkgroup.com) | +61 2 9547 4311

### Investment Enquires

John Price | Head of Distribution & Operations

[john@eg-group.com.au](mailto:john@eg-group.com.au) | +61 2 8311 5175

## 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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