

In the month, the Eley Griffiths Group Small Companies Fund (SCF) gained +2.3%, outperforming the Small Ordinaries Accumulation Index (XSOAI) which finished up +1.4%. The fund returned +21.7% versus the XSOAI +16.9% in 2021.

The XSOAI retraced as much as -4.5% in early December as news of the fast-spreading Omicron variant continued to weigh on risk appetite. As fears around the severity of the Omicron variant moderated, domestic markets staged a characteristic year end Christmas rally. Aiding the positive sentiment was commentary from Fed Chairman Jerome Powell, talking to the strength of the US economy which settled investor angst that a faster cadence of interest rate hikes might derail the economic recovery.

Tech, high beta and growth stocks were sold off in December spurred on by hawkish central bank commentary and worse than expected inflation prints, leading to predictions of earnings and multiple compression. The portfolio's balanced positioning across structural growth and cyclical stocks hedged out much of the fall out of the phenomenon witnessed. Notable moves from Sims Metals (+14%) and Iluka Resources (+17%) offset softness from Life360 (-20%) and Pinnacle (-5%).

Small Resources (+3.5%) once again materially outperformed the Small Industrials (+0.5%) in the month. The prospect of mass

adoption of electric vehicles across the globe saw Lithium names among the top performing Small Cap stocks for 2021. Contributing to returns in the month was Pilbara Minerals (+23%) which surged +175% higher in the year.

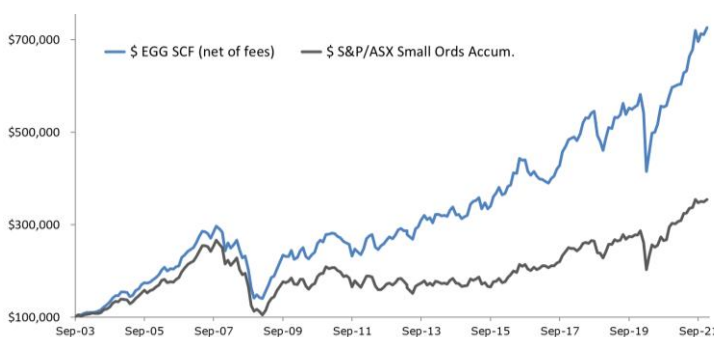
Pharmaceutical wholesaler and distributor EBOS Group (EBO; +9%) touched all-time highs in the month. EBO undertook a capital raise to acquire the ANZ subsidiaries of LifeHealthcare and 51% of the Asian subsidiary Transmedic. EBO forecast a broader medical device and equipment portfolio, plus an established entry point into Asia Pacific, will contribute towards double-digit EPS growth in 2022.

As we commence CY22 investors are gauging the impact a resurgence of COVID-19 cases, a catch-up in global supply chains and central bank approaches to inflation. Domestically there are economic tailwinds for Small Caps earnings growth; a tight labour market, elevated personal and corporate savings, along with the RBA determined to resist rate rises until signs of wage growth and enduring inflation in the 2-3% band. Despite high equity market valuations in absolute terms, an allocation to stocks remains attractive compared with the long-term average yield gap to government bonds (equity risk premium).

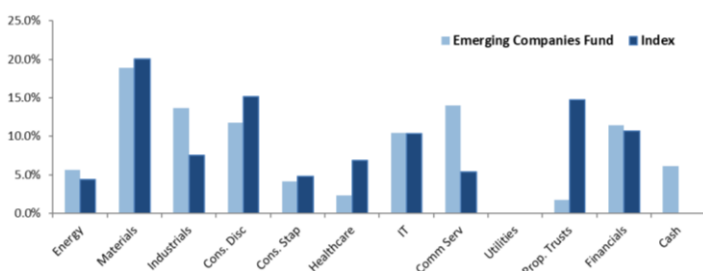
Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep <sup>A</sup> % p.a.
EGG Small Companies Fund	2.25	4.37	21.72	16.45	11.87	11.96	11.51
S&P/ASX Small Ord Accumulation Index (XSOAI)	1.41	2.03	16.90	15.71	11.17	7.98	7.19
<b>Outperformance</b>	<b>+0.84</b>	<b>+2.34</b>	<b>+4.82</b>	<b>+0.74</b>	<b>+0.70</b>	<b>+3.98</b>	<b>+4.32</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>		
CMM	Capricorn Metals	Materials
EBO	Ebos Group	Health Care
PLS	Pilbara Minerals	Materials
<b>Bottom 3 Detractors</b>		
360	Life360 Inc.	Information Technology
PDN	Paladin Energy	Energy
PNI	Pinnacle Investments	Financials

### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
BRG	Breville Group	Consumer Discretionary
CAR	Carsales.Com	Communication Services
CMM	Capricorn Metals	Materials
EBO	Ebos Group	Health Care
PNI	Pinnacle Investments	Financials

\*Alphabetical order as at 31 December 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 18 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 Small Ordinaries Accumulation Index (After Base Management Fee)

**Fund size:** \$508.7m as at 31 December 2021

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

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

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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 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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