

Hawkish comments from the US Federal Reserve and blistering global CPI prints saw global equity markets sell off in a volatile start to the year. The Eley Griffiths Group Small Companies Fund finished down -9.3% in line with the Small Ordinaries Accumulation Index (XSOAI) which declined -9.0%.

US Fed Chairman, Jerome Powell emphasised that stronger than expected economic activity and tightening labour market has set the tone for interest rates to increase. Inflationary pressures have been mounting due to the rapid expansion of the US economy (GDP +5.5% in 2021), a tightening labour market and the debilitating effect of global supply chain disruptions. Further, futures markets are suggesting 4-5 rate hikes in 2022 and 2 in 2023 from the Fed.

Domestically, headline CPI surged in the December quarter whilst Australia's core inflation clocked its fastest annual pace since 2014. Markets were in search of a market correction catalyst, the anxiety surrounding the FOMC's timing and magnitude of interest rates hikes, and imminent balance sheet reduction were just the elixir for a retracement in stocks.

Leading the sell-off were high multiple growth stocks and sectors reflecting valuation concerns off the back of assumed

higher interest rates. Elevated rates are factored into the discounts investors must apply to future cash flows to determine current share valuations. Tech / High PE holdings which detracted from returns in the month were stocks Pinnacle (-28%) and Pointsbet Holdings (-31%).

Value outperformed growth with Energy the best performing sector in the month. Portfolio holdings which benefitted from a rebounding Brent price (+17%) were Beach Energy (+18%) and Karoon Energy (+13%).

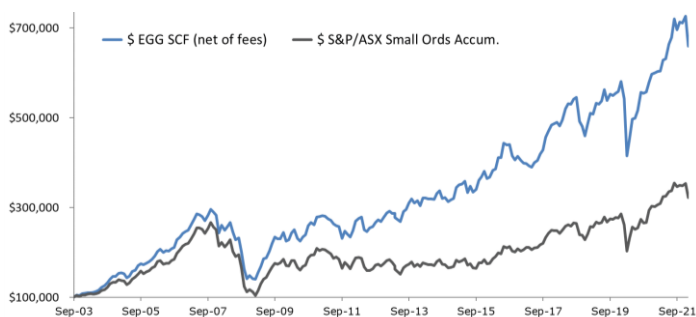
Since the onset of COVID-19 global central banks have increased money supply significantly bringing about excess liquidity for risk asset purchases, such as equities. This excess liquidity has now peaked and is expected to migrate to the real economy.

Earnings confessions in January saw those which missed guidance, even marginally, punished by the market which could spell trouble for some corporates heading into reporting season. Supportive for corporate earnings outlook is a buoyant consumer encouraged by a tight labour market, house price gains and historically high savings pool.

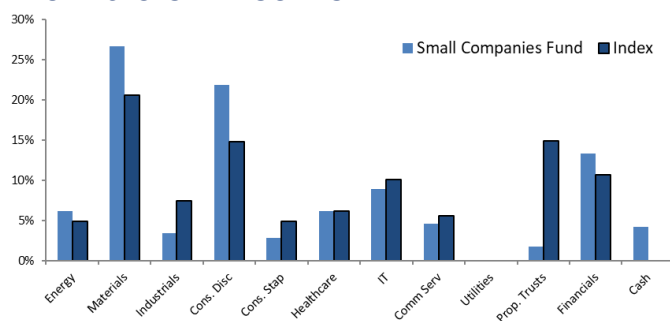
Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep ^A % p.a.
EGG Small Companies Fund	-9.30	-7.58	9.90	10.66	10.24	10.24	10.86
S&P/ASX Small Ord Accumulation Index (XSOAI)	-9.00	-7.99	6.65	10.13	9.64	6.17	6.61
Outperformance	-0.30	+0.41	+3.25	+0.53	+0.60	+4.07	+4.26

^AFund inception September 2003

\$100,000 SINCE INCEPTION (AFTER FEES)



FUND SECTOR ALLOCATION



STOCK ATTRIBUTION*

Code	Stock	Sector
Top 3 Contributors		
ILU	Iluka Resources	Materials
KAR	Karoon Energy	Energy
PLS	Pilbara Minerals	Materials
Bottom 3 Detractors		
CAR	Carsales.Com	Communication Services
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
ILU	Iluka Resources	Materials

*Alphabetical order as at 31 January 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.

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: \$458.3m as at 31 January 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

EleyGriffiths@linkmarketservices.com.au | +61 2 8767 1114

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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