

In May, the Small Ordinaries Accumulation Index experienced a decline of -3.3%. The Eley Griffiths Group Small Companies Fund performed in line with its benchmark, finishing lower -3.2%. Since inception (September 2003) the Fund has delivered a return of +9.7% p.a after fees.

As throughout the year, investors have faced challenges such as high inflation and rising interest rates in the month. The resolution of the US debt ceiling issue in the final hour also added to the macroeconomic complexity. Negative trading updates from the retail sector, indicating a potential slowdown in consumer activity had an impact on market sentiment. A profit warning from Universal Store (UNI) triggered selling across the entire Consumer Discretionary sector (-6.4%). Portfolio holding Lovisa (-23%), which shares a similar customer profile to UNI detracted from performance.

Simultaneously, US chip-stock NVIDIA exceeded market expectations driven by surging demand for AI-related graphics processing units. This led to a significant rotation of investment from under pressure consumer/cyclical sectors into Information Technology sector (+6.9%). Tech companies with strong cash flow and exposure to AI attracted investors' interest.

Weighing on the portfolio was weakness in Small Resources (-7.1%). However, there were more positive signs for the Lithium market, with indications of restocking across the battery supply chain and increased electric vehicle sales in China.

Notable contributor to performance during the month was OFX Group (+28%). The company rebounded following the announcement of an above-consensus earnings guidance, share buyback and an acquisition.

Trading volumes decreased when interest rates began tightening in 2022, leading to decreased liquidity and sentiment, particularly in small/micro industrials. However, recent weeks have seen a rebound in trading volumes, approaching the long-run average. The economic cycle is not to be confused with the market cycle. The latter will move well ahead of time, discounting poor news and looking forward to consumer and business revival.

Returns post fees	1 Month %	3 Months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Incep^% p.a.
EGG Small Companies Fund	-3.20	1.67	-1.22	7.27	3.38	8.23	9.65
S&P/ASX Small Ord Accumulation Index (XSOAI)	-3.26	-1.29	-5.77	4.46	2.46	6.02	5.60
<b>Outperformance</b>	<b>+0.06</b>	<b>+2.96</b>	<b>+4.55</b>	<b>+2.81</b>	<b>+0.92</b>	<b>+2.21</b>	<b>+4.05</b>

*^Fund inception September 2003. 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)

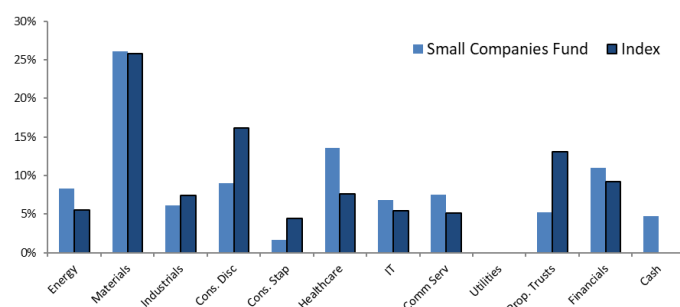


### STOCK ATTRIBUTION\*

Code	Stock	Sector
<b>Top 3 Contributors</b>		
HMC	HMC Capital	Real Estate
OFX	OFX Group	Financials
PNI	Pinnacle	Financials
<b>Bottom 3 Detractors</b>		
DEG	De Grey Mining	Materials
FPH	Fisher & Paykel Healthcare	Health Care
LOV	Lovisa Holdings	Consumer Discretionary

\*Alphabetical order as at 31 May 2023

### FUND SECTOR ALLOCATION



### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
BLD	Boral	Materials
CMM	Capricorn Metals	Materials
CAR	Carsales.Com	Communication Services
CHU	Chorus	Communication Services
MND	Monadelphous Group	Industrials

\* Alphabetical order as at 31 May 2023

## 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 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:** \$341.2m as at 31 May 2023

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

**Unit Price:** Daily

**APIR Code:** EGG0001AU

**ARSN CODE:** 106171224

### Investment Enquires:

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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 19 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 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 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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