

In the month, the Eley Griffiths Group Emerging Companies Fund (ECF) gained +1.0%, compared with the Small Ordinaries Accumulation Index (XSOAI) which finished up +1.4%. The fund returned +34.2% 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, GARP and cyclical stocks hedged out much of the fall out of the phenomenon witnessed. Notable moves from DGL Group (+28%) and Beacon Lighting Group (+15%) offset softness from Life360 (-20%) and Aussie Broadband (-9%).

Bucking the tech sell-off trend was EGG holding PlaySide Studios (PLY; +31%). PLY is Australia's largest home-grown

video game developer with a substantial library of self-published games, as well as a growing repertoire of development work for industry majors. PLY signed a development agreement with Shiba Inu Games opening the door to new games that take advantage of booming global trends such as the metaverse, cryptocurrencies, non-fungible tokens and blockchain gaming.

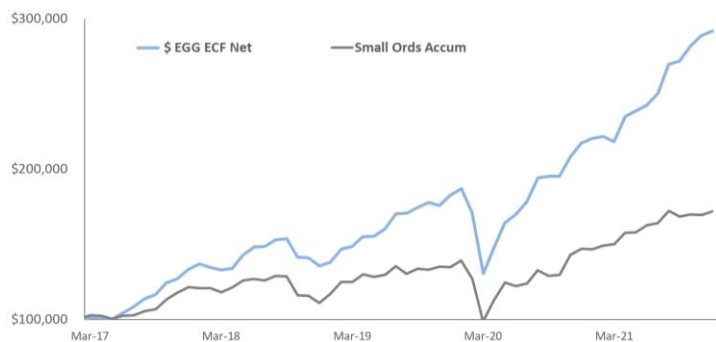
The mass of M&A activity and corporate manoeuvrings continued in the month with fertility and diagnostic specialist Virtus Health (VRT; +29%). EGG actioned an above market exit of the name following a push from BGH Capital to acquire 19.9%.

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 %	2 years % p.a.	3 years % p.a.	4 years % p.a.	Incep^ %p.a.
EGG Emerging Companies Fund	0.97	7.33	34.23	26.38	29.09	21.64	24.78
S&P/ASX Small Ord Accumulation Index (XSOAI)	1.41	2.03	16.90	12.99	15.71	9.07	11.85
Outperformance	-0.44	+5.30	+17.33	+13.39	+13.38	+12.57	+12.93

^Fund inception March 2017

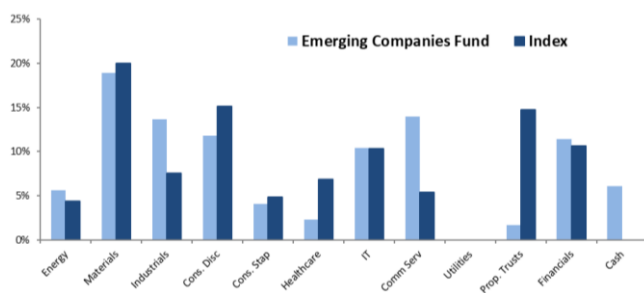
### \$100,000 SINCE INCEPTION (AFTER FEES)



### STOCK ATTRIBUTION\*

Code	Stock	Sector
<b>Top 3 Contributors</b>		
DGL	DGL Group	Materials
PLY	PlaySide Studios	Communication Services
VRT	Virtus Health	Health Care
<b>Bottom 3 Detractors</b>		
360	Life360 Inc.	Information Technology
ABB	Aussie Broadband	Communication Services
STP	Step One Clothing	Consumer Discretionary

### FUND SECTOR ALLOCATION



### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
ABB	Aussie Broadband	Communication Services
CMM	Capricorn Metals	Materials
DGL	DGL Group	Materials
MFT.NZ	Mainfreight	Industrials
PLY	PlaySide Studios	Communication Services

\* 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/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:** \$338.0m as at 31 December 2021

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

**Unit Price:** Daily

**APIR Code:** PIM5346AU

**ARSN CODE:** 616328128

### Investment Enquires:

John Price | Head of Distribution & Operations

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

### PDS & Online Applications Forms:

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

### Existing investor administration:

Link Fund Solutions

[EleyGriffiths@linkmarketservices.com.au](mailto:EleyGriffiths@linkmarketservices.com.au) | +61 2 8767 1114

## 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 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 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.

*DISCLAIMER: This document is issued by Eley Griffiths Group Pty Limited (ABN 66 102 271 812) (EGG) in relation to the Eley Griffiths Emerging Companies Fund (Fund). The Trust Company (RE Services) Limited ABN 45 003 278 830, AFSL 235 150 (Perpetual) is the Responsible Entity of, and issuer of units in the Fund, and EGG is the investment manager of the Fund. The information provided in this document is general information only and does not constitute investment or other advice, it has been prepared without taking into account your particular objectives, financial circumstances and needs. You should obtain and consider a copy of the product disclosure statement relating to the Eley Griffiths Emerging Companies Fund before acquiring the financial product. To the extent permitted by law, The Trust Company Limited nor Eley Griffiths Group Pty Limited, its employees, consultants, advisers, officers and authorized representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this report. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund. EGG accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the disclosure document for the Fund. Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Neither EGG nor Perpetual guarantee repayment of capital or any rate of return from the Fund. Neither EGG nor Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of EGG as at the date of this document are subject to change without notice.*