

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 Emerging Companies Fund finished down -9.6% 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%), Wisr (-21%) and BlueBet Holdings (-36%)

Value outperformed growth with Energy the best performing sector in the month. Portfolio holdings Core Lithium rallied (+28%) whilst Karoon Energy (+13%) benefitted from a Brent price which rebounded +17% in the month.

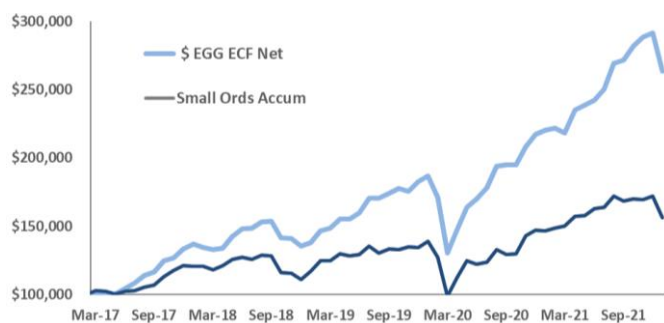
Since the onset of COVID-19 global central banks have increased money supply significantly bringing about excess liquidity for risk asset purchases, such as equities. This excess liquidity has now peaked and is expected to migrate to the real economy.

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 %	2 years % p.a.	3 years % p.a.	4 years % p.a.	Incep^ %p.a.
EGG Emerging Companies Fund	-9.58	-6.45	19.65	18.74	24.04	17.76	21.08
S&P/ASX Small Ord Accumulation Index (XSOAI)	-9.00	-7.99	6.65	6.01	10.13	6.67	9.52
<b>Outperformance</b>	<b>-0.58</b>	<b>+1.54</b>	<b>+13.00</b>	<b>+12.73</b>	<b>+13.92</b>	<b>+11.09</b>	<b>+12.28</b>

^Fund inception March 2017

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



### FUND SECTOR ALLOCATION



### STOCK ATTRIBUTION\*

Code	Stock	Sector
<b>Top 3 Contributors</b>		
CBR	Carbon Revolution	Consumer Discretionary
CXO	Core Lithium	Materials
KAR	Karoon Energy	Energy
<b>Bottom 3 Detractors</b>		
DGL	DGL Group	Materials
PNI	Pinnacle Investment Group	Financials
WZR	Wisr	Financials

### TOP 5 ACTIVE POSITIONS\*

Code	Stock	Sector
ABB	Aussie Broadband	Communication Services
CMM	Capricorn Metals	Materials
KAR	Karoon Energy	Energy
MFT.NZ	Mainfreight	Industrials
MAF	MA Financial Group	Financials

\* 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/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:** \$305.0m as at 31 January 2022

**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.*