

Equity markets continued to rally in November, the Small Ordinaries Accumulation Index finished +4.9% higher taking quarter-to-date gains to +11.2%. The Eley Griffiths Group Emerging Companies Fund increased +2.6% and since inception (September 2003) the Fund has returned +14.8% p.a. after fees for unitholders.

In the month, buyers turned up on softer October US consumer price index (CPI) print which was accompanied by comments made by Federal Reserve Chairman Jerome Powell that the time for moderating the pace of interest-rate increases may come as soon as December (Brookings Institution speech). The pattern is bad economic news is good news for markets as deteriorating datapoints validate the central bank pivot narrative.

China taking concrete steps toward easing COVID restrictions on a path to re-opening triggered Small Resources (+11.5%) to materially outperformed Small Industrials (+2.6%). The Fund was well positioned for the broad-based rally across the commodity complex with a 20% portfolio weighting to Materials. A +27% surge in the iron ore price saw portfolio holding Mount Gibson Iron up +23%, whilst mineral sands and rare earths miner Strandline Resources gained +18%.

Supported by a rebound in the gold price (+8.3%), portfolio gold holdings Ramelius Resources (+16%), Genesis Minerals (+11%) and Capricorn Metals (CMM; +24%) contributed to the month's performance. In addition, CMM rallied +10% upon announcing the estimated production from its Mt Gibson Gold Project will increase by 32%.

Detracting from performance in the month, Life360 (-10%) which executed an equity raising after stock rallied +40% last month on monthly pricing changes. Despite reconfirming earnings guidance at their Annual General Meeting, Ridley Corporation declined -7%.

Of note, small cap stock valuations have now reset in line with pre-covid, long term averages. The 12-month forward Price-Earnings (P/E) multiple for the Small Ords is now trading at 14.8x, compared to the 10-year average of 15.0x (Source; EGG, Factset Nov 22)

Returns post fees	1 Month %	3 Months %	1 Year %	3 years % p.a.	5 years % p.a.	Incep <sup>A</sup> %p.a.
EGG Emerging Companies Fund	2.63	-2.49	-23.61	7.90	11.67	14.75
S&P/ASX Small Ord Accumulation Index (XSOAI)	4.92	-0.81	-14.02	2.57	4.36	6.76
<b>Outperformance</b>	<b>-2.29</b>	<b>-1.68</b>	<b>-9.59</b>	<b>+5.33</b>	<b>+7.31</b>	<b>+7.99</b>

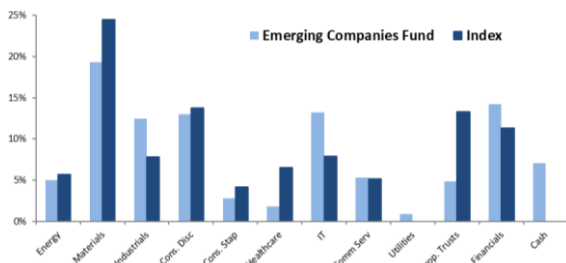
<sup>A</sup>Fund inception March 2017. Total net returns represent past performance only. **Past performance is not a reliable indicator of future performance.** Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of Eley Griffiths 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)**



<sup>A</sup>Fund inception March 2017. Past performance is not an indicator of future performance

**FUND SECTOR ALLOCATION**



**STOCK ATTRIBUTION\***

Code	Stock	Sector
<b>Top 3 Contributors</b>		
CMM	Capricorn Metals	Materials
MGX	Mount Gibson Iron	Materials
STA	Strandline Resources	Materials
<b>Bottom 3 Detractors</b>		
360	Life360 Inc	Information Technology
PDN	Paladin Energy	Energy
RIC	Ridley Corporation	Consumer Staples

\* Alphabetical order as at 30 November 2022

**TOP 5 ACTIVE POSITIONS\***

Code	Stock	Sector
CMM	Capricorn Metals	Materials
HUB	HUB24 Holdings	Financials
NRW	NRW Holdings	Industrials
PNI	Pinnacle Investment	Financials
THL.NZ	Tourism Holdings	Industrials

\* Alphabetical order as at 30 November 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.

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/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:** \$266.7m as at 30 November 2022

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

**Unit Price:** Daily

**APIR Code:** PIM5346AU

**ARSN CODE:** 616328128

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## 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 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 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.