



# Small Companies Fund

## Monthly Report

### July 2007

#### Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index closed down 1.05% in July making it the first negative month since July 2006. The portfolio was down 1.28% pre-fees underperforming by 0.23%. After a prolonged period of complacency, a new attitude to risk has emerged as a result of the current sub-prime debt market crisis in the US. While corporate Australia has varying direct exposure to US sub-prime loans, the impact will likely be felt in rising credit spreads (making debt more expensive) and a tightening in liquidity (making debt raising harder). Furthermore, with concerns surrounding higher-risk debt products the market has witnessed a 'flight to safety' with US bonds and the US Dollar rallying, in turn sending the AUD plummeting from intra-month highs of \$0.8874 set on the 25th July to close at

#### Unit Price as at 31 July 2007

Application	\$2.0709
Redemption	\$2.0627
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Fund Size	\$429 million
No. of stocks in portfolio	57

\$0.8515. It is reasonable to expect private equity M&A activity to slow up in the near term and the "private equity put" whereby struggling companies have enjoyed buoyant prices in anticipation of takeover will now dissipate. Investors' attention is now moving to the reporting season which is expected to deliver in-line results and insightful commentary as to how small companies are currently faring. With the index hitting an all time high on the 24th of July, it was international concerns that curbed investor sentiment and sent the index into a sharp reversal. It is also worth commenting on the oil price which firmed

#### Performance Statistics to 31 July 2007

	1 Month %	3 Month %	1 Year %	3 Year % p.a.
EGG Small Companies Fund	-1.28%	+2.85%	+39.39%	+35.23%
S&P/ASX Small Ordinaries Accumulation Index	-1.05%	+4.40%	+43.53%	+29.57%
Out performance	<b>-0.23%</b>	<b>-1.55%</b>	<b>-4.14%</b>	<b>+5.66%</b>

\* Fund returns are calculated before fees are deducted.

markedly climbing 11% for the month.

Cash remains around 5% of FUM.

### Attribution

The portfolio was overweight none of the index's top 10 performing stocks (by index point contribution).

The portfolio was overweight 2 of the index's bottom 10 performing stocks (by index point contribution) being **Silex**

**Systems** (-16.33%) and **Aquarius**

**Platinum** (-8.13%).

### Top 10 Stocks\*

	Portfolio Weight
1 Ramsay Health Care Limited	3.84%
2 IRESS Market Technology	3.65%
3 Australian Worldwide Expl.	3.26%
4 Alesco Corporation Limited	3.00%
5 Aquarius Platinum Limited	2.95%
6 Coates Hire Limited	2.62%
7 Adelaide Brighton Limited	2.53%
8 InvoCare Limited	2.50%
9 WHK Group Limited	2.46%
10 GWA International Limited	2.45%
<b>Top 10 Stocks</b>	<b>29.26%</b>
<b>Other Stocks</b>	<b>56.85%</b>
<b>Cash</b>	<b>13.89%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 30<sup>th</sup> June 2007.

### Portfolio Changes

**Additions:** Perilya (Zinc Exposure), Norfolk Group (Attractive IPO), Arrow Energy (Tactical), Andean Resources (Tactical), Incitec Pivot (Tactical) and Rams Home Loans (Attractive IPO).

**Deletions:** Avoca Resources (Profit Taking) and MacArthur Coal (Profit Taking).

### Market Sector Exposure\*

	Fund %
Materials	10.6%
Energy	8.7%
Industrials	28.6%
Consumer Disc	12.8%
Healthcare	7.4%
Consumer Staples	0.0%
Financials	10.2%
Information Tech	6.8%
Telecoms	0.0%
Utilities	0.0%
Property Trusts	1.0%
Cash	13.9%
<b>Total</b>	<b>100%</b>

### Eley Griffiths Group ratings

Rating Company	Rating
Morningstar	Recommended Second Highest Rating
Standard & Poor's	★★★★ - 'Strong' Second Highest Rating
Lonsec	Highly Recommended Highest Rating
Zenith	Highly Recommended Highest Rating

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