



# Small Companies Fund

## Monthly Report

May 2007

### Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index had its strongest month of the year in May finishing up 5.43%. The portfolio underperformed slightly returning 4.69% pre-fees. Despite generally high levels of liquidity, the rally was very narrowly based with 5 stocks accounting for almost half the gain in the Small Ords. The collapse of a number of private equity M&A deals (QANTAS and APN News & Media) combined with the exit of various private equity firms from the Coles Group auction served as a reminder to investors that M&A approaches don't always result in take-out. The market found a new interest in oil stocks in May driven by broker upgrades and the TAPIS crude premium over WTI rising to record levels.

### Unit Price as at 31 May 2007

Application	\$2.5048
Redemption	\$2.4848
Fund Size	\$405 million
No. of stocks in portfolio	52

The disconnect is seen by some as suggesting that the supply/demand environment may be tighter than the WTI price has been suggesting. The widely expected increased fiscal stimulus announced in the May Budget still captured the market's imagination and set a bullish stance for the balance of the month. With the 12 month return of the Small Ordinaries Accumulation Index to 31 May standing at 45.96% we are now looking to take profits where appropriate. Cash is currently at 7% of FUM.

### Performance Statistics to 31 May 2007

	1 Month %	3 Month %	1 Year %	3 Year % p.a.
EGG Small Companies Fund	+4.69%	+14.67%	+44.87%	+38.54%
S&P/ASX Small Ordinaries Accumulation Index	+5.43%	+15.23%	+45.96%	+32.93%
Out performance	<b>-0.74%</b>	<b>-0.56%</b>	<b>-1.09%</b>	<b>+5.61%</b>

\* Fund returns are calculated before fees are deducted.

## Attribution

The portfolio was overweight 2 of the index's top 10 performing stocks (by index point contribution) being **Coates Hire Limited** (+17.36%) and **Nufarm Limited** (+12.88%).

The portfolio was overweight 2 of the index's bottom 10 performing stocks (by index point contribution) being **Silex Systems** (-6.87%) and **Sally Malay Mining** (-9.70%).

## Top 10 Stocks\*

	Portfolio Weight
1 Ramsay Health Care Limited	4.09%
2 IRESS Market Technology	3.89%
3 Coates Hire Limited	3.66%
4 Australian Worldwide Expl.	3.28%
5 Alesco Corporation Limited	3.20%
6 Aquarius Platinum Limited	3.18%
7 Cabcharge Australia Limited	3.06%
8 Silex Systems Limited	2.95%
9 Hastie Group Limited	2.94%
10 Kagara Zinc Limited	2.82%
<b>Top 10 Stocks</b>	<b>33.07%</b>
<b>Other Stocks</b>	<b>60.63%</b>
<b>Cash</b>	<b>6.30%</b>
<b>Total</b>	<b>100%</b>

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

## Portfolio Changes

**Additions:** Australian Wealth Management (Valuation).

**Deletions:** Commander Communications (Profit Outlook), Summit Resources (Take Over) and Vision Group (Profit Outlook).

## Market Sector Exposure\*

	Fund %
Materials	11.7%
Energy	9.2%
Industrials	32.0%
Consumer Disc	13.2%
Healthcare	7.5%
Consumer Staples	0.0%
Financials	10.7%
Information Tech	7.8%
Telecoms	0.0%
Utilities	0.0%
Property Trusts	1.1%
Cash	6.8%
<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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