



# Small Companies Fund

## Monthly Report

### November 2008

#### Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index in November fell 9.61%, following on from its biggest monthly fall on record in October. The intra month volatility was still extreme in November with exceptionally large gyrations recorded. The Eley Griffiths Group Small Companies Fund underperformed the index by 3.40%. During the month a number of our clients have asked us what market pre-conditions we need to see to feel confident that a market low is at hand or close at hand. Some of the elements include: **1. Significant build up in cash** account balances, reflective of excessive pessimism. **2. Favourable monetary conditions** ie reducing interest rates, a positive yield curve and contracting TED spread. **3. Favourable valuations** ie low PE ratios. **4. Pace of EPS downgrades** to

#### Unit Price as at 30 November 2008

Application	\$0.9809
Redemption	\$0.9731
Fund Size	\$236 million
No. of stocks in portfolio	45

slow (need not be upgrades). **5. Favourable market response to poor company / economic news.** **6.** Overseas market **volatility** to reduce (VIX indicator). **7.** High profile strategists decree model **portfolio shift from cash / fixed interest to equities.** **8. Fiscal stimulus packages.** The RBA in November cut rates by 1.00% as per October to boost the economy and stimulate demand. The further cut of 1.00% in December brings the total to 3.00% in 3 months – a massive boost. Cash levels closed November at around 11%, which will be under review by your manager this month.

#### Performance Statistics to 30 November 2008

	1 Month %	3 Month %	FYTD %	1 Year %	5 Year % p.a.
EGG Small Companies Fund	-13.01%	-38.97%	-41.99%	-50.64%	+7.91%
S&P/ASX Small Ordinaries Accumulation Index	-9.61%	-42.24%	-44.35%	-56.11%	+2.03%
Out performance	<b>-3.40%</b>	<b>+3.27%</b>	<b>+2.36%</b>	<b>+5.46%</b>	<b>+5.88%</b>

\* Fund returns are calculated before fees are deducted.

## Attribution

The portfolio was overweight 3 of the index's top 10 performing stocks (by index point contribution) being OM Holdings (+19.27%), Aquarius Platinum (+9.27%) and Equinox Minerals (+26.79). The portfolio was overweight 3 of the index's bottom 10 performing stocks (by index point contribution) being Felix Resources (-53.63%), Flight Centre (-37.63%) and Bradken (-31.92%).

### Top 10 Stocks\*

	Portfolio Weight
1 Felix Resources Limited	4.13%
2 Primary Health Care Limited	3.92%
3 Australian Worldwide Expl.	3.71%
4 InvoCare Limited	3.52%
5 Cabcharge Australia Limited	3.32%
6 Programmed Maintenance	3.23%
7 Adelaide Brighton Limited	3.17%
8 MYOB Limited	3.12%
9 Silex Systems Limited	3.03%
10 Flight Centre Limited	2.75%
<b>Top 10 Stocks</b>	<b>33.90%</b>
<b>Other Stocks</b>	<b>54.77%</b>
<b>Cash</b>	<b>11.33%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 31<sup>st</sup> October 2008.

## Portfolio Changes

**Additions:** JB HiFi (valuation), Macmahon Holdings (Valuation) and SAI Global (Valuation).

**Deletions:** Nil

### Market Sector Exposure\*

	Fund %
Materials	14.0%
Energy	10.6%
Industrials	23.0%
Consumer Disc	16.7%
Healthcare	8.3%
Consumer Staples	0.0%
Financials	4.8%
Information Tech	9.1%
Telecoms	2.2%
Utilities	0.0%
Property Trusts	0.0%
Cash	11.3%
<b>Total</b>	<b>100%</b>

### Eley Griffiths Group ratings

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

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