



Small Companies Fund

Monthly Report

October 2007

Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index closed up 5.37% in October proving the bull market was alive and well. The portfolio was up 4.73% pre-fees underperforming by 0.64%. October saw the US Sub Prime issue fade into the background with four takeover bids in the Small Companies space setting the tone for the month. Resource stocks and mining service companies rallied strongly on firmer commodity markets and possible merger and acquisition activity. This encouraged international and local market players to increase their exposure to the sector. The Small Resources Index rose 8.22% almost doubling the return from Small Industrials at 4.12%, once again making it the largest contributor to the index. Continued deterioration of the US housing situation and consumer sentiment

Unit Price as at 31 October 2007

Application	\$2.1904
Redemption	\$2.1730
Fund Size	\$490 million
No. of stocks in portfolio	56

led to the Federal Reserve in the US cutting rates by a further 0.25% at the end of the month, which in turned pushed markets in the US to new highs. The Australian All Ordinaries followed suit hitting a record high and the AUD increased 5.1% against the USD to \$0.9335 from \$0.8878. Energy stocks were underpinned by higher commodity prices and a favourable outlook. Oil rallied over October gaining 15.3% to finish at \$94.16 per barrel, pushed higher by tension between the US and Iran, Turkey sending troops into Iraq and lower US inventories. Coal stock sentiment surged in expectation of favourable negotiations

Performance Statistics to 31 October 2007

	1 Month %	3 Month %	1 Year %	3 Year % p.a.
EGG Small Companies Fund	+4.73%	+6.10%	+31.21%	+30.31%
S&P/ASX Small Ordinaries Accumulation Index	+5.37%	+5.91%	+34.78%	+26.98%
Out performance	-0.64%	+0.19%	-3.56%	+3.33%

* Fund returns are calculated before fees are deducted.

with Asian buyers. Gold rallied 6% higher on a weaker US Dollar and growing inflation concerns. The manager continues to be cautious looking forward and as such has a cash weighting of around 5% of FUM.

Attribution

The portfolio was overweight 1 of the index's top 10 performing stocks (by index point contribution) being **Transfield Services** (18.43%).

The portfolio was overweight 4 of the index's bottom 10 performing stocks (by index point contribution) being **Australian Worldwide Exploration** (-9.42%), **Alesco Corporation** (-14.18%), **GWA International** (-7.67%) and **Adelaide Brighton** (-6.84%).

Top 10 Stocks*

	Portfolio Weight
1 Aquarius Platinum Limited	3.33%
2 Hastie Group Limited	3.27%
3 Cabcharge Australia Limited	3.18%
4 IRESS Market Technology	3.12%
5 Australian Worldwide Expl.	3.07%
6 Ramsay Health Care Limited	3.06%
7 Boom Logistics Limited	3.01%
8 Coates Hire Limited	3.00%
9 Adelaide Brighton Limited	2.95%
10 Kagara Zinc Limited	2.82%
Top 10 Stocks	30.81%
Other Stocks	62.64%
Cash	6.55%
Total	100%

*For the Small Companies Fund as at 30th September 2007.

Portfolio Changes

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Additions: Babcock & Brown Power (company visit), Equinox Minerals (tactical) and Mariner Bridge (company review).

Deletions: PMP (company review), Incitec Pivot (ASX 100 inclusion) and Wattyl (earnings downgrade).

Market Sector Exposure*

	Fund %
Materials	17.7%
Energy	9.8%
Industrials	31.2%
Consumer Disc	10.5%
Healthcare	6.2%
Consumer Staples	0.0%
Financials	10.8%
Information Tech	7.3%
Telecoms	0.0%
Utilities	0.0%
Property Trusts	0.0%
Cash	6.5%
Total	100%

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