



Small Companies Fund

Monthly Report

September 2007

Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index closed up 4.56% in September reversing the trend of the 2007 Financial Year. The portfolio was up 4.69% pre-fees outperforming by 0.14%. September saw the US Sub Prime issue come to a head with Northern Rock in London asking the Bank of England for emergency funding causing panic and a run on its branches. This was followed up by numerous large US banks declaring that third quarter earnings would suffer as a result of the funding crisis. This marked deterioration of the current housing situation led to the Federal Reserve in the US cutting rates by 0.5%, 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 8.4% against the USD to \$0.8878 from \$0.8189.

Unit Price as at 30 September 2007

Application	\$2.0936
Redemption	\$2.0769
Fund Size	\$472 million
No. of stocks in portfolio	55

Speculative interest among smaller resources and mining services stocks was rekindled during September. Small cap takeover activity continues to register with 6 bids in September taking the calendar year to date tally to 45 bids. Over the month of September small resource stocks led the index higher rising 14.7% compared to small industrial counters which increased only 1.1%. The manager continues to be cautious looking forward and as such has a cash weighting of around 6% of FUM.

Performance Statistics to 30 September 2007

	1 Month %	3 Month %	1 Year %	3 Year % p.a.
EGG Small Companies Fund	+4.69%	+0.01%	+35.54%	+30.72%
S&P/ASX Small Ordinaries Accumulation Index	+4.56%	-0.54%	+36.71%	+27.55%
Out performance	+0.14%	+0.55%	-1.17%	+3.17%

* 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 **Kagara Zinc** (21.57%), **Aquarius Platinum** (10.39%) and **Sally Malay Mining** (20.84%).

The portfolio was overweight 3 of the index's bottom 10 performing stocks (by index point contribution) being **Adelaide Bank** (-9.42%), **Silex Systems** (-10.98%) and **GWA International** (-8.43%).

Top 10 Stocks*

	Portfolio Weight
1 Ramsay Health Care Limited	3.75%
2 IRESS Market Technology	3.69%
3 Aquarius Platinum Limited	3.59%
4 Hastie Group Limited	3.57%
5 Alesco Corporation Limited	3.31%
6 Australian Worldwide Expl.	3.03%
7 Programmed Maintenance	2.82%
8 Adelaide Brighton Limited	2.71%
9 Cabcharge Australia Limited	2.67%
10 InvoCare Limited	2.53%
Top 10 Stocks	31.67%
Other Stocks	60.08%
Cash	8.25%
Total	100%

*For the Small Companies Fund as at 31st August 2007.

Portfolio Changes

Additions: Global Mining (tactical), Transfield (earnings upgrade) and HFA Holdings (improving score).

Deletions: Southern Cross Broadcasting (bid).

Market Sector Exposure*

	Fund %
Materials	14.9%
Energy	9.0%
Industrials	31.9%
Consumer Disc	11.1%
Healthcare	6.9%
Consumer Staples	0.0%
Financials	10.8%
Information Tech	7.1%
Telecoms	0.0%
Utilities	0.0%
Property Trusts	0.0%
Cash	8.3%
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

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