

# Small Companies Fund

## Monthly Report

**May 2010**

### Portfolio Performance and Strategy

The Small Ordinaries Accumulation Index in May was volatile intra month with the index falling 7.3% before rebounding 4.9% and then selling off again to end the month down 8.18%. Markets were down hard in May due mainly to the continued jitters relating to the safety of European sovereign debt. Mining companies came under heavy selling pressure as the debate raged as to how the proposed RSPT would affect current stock valuations. In our opinion having powered out of the lows of March 2009 the market was probably due for a correction. Overall we are more bullish as the US economy is printing stronger numbers which were ignored by the market: Chicago Fed National Activity Index is now showing US economic growth is back to trend and the recession is over. The ISM manufacturing

### Unit Price as at 31 May 2010

Application	\$1.5534
Redemption	\$1.5410

Fund Size	\$522 million
No. of stocks in portfolio	48

number for May was at 59.7 which is expansionary. There is a revival in US housing construction currently underway. There is also a continued increase in merger & acquisition activity in Australia which indicates underlying health, with 7 bids in the small caps during the month. Currently the "confession season" is well underway, and whilst there have been a few high profile casualties the intensity is not high. Finally, valuations are on the cheap side of fair value. The RBA kept the cash rate on hold at 4.50% in early June as the previous six raises in the last eight months had slowed growth and inflation in the economy to an acceptable level. Our cash levels closed May at around 5.5%.

### Performance Statistics to 31 May 2010

	1 Month %	3 Month %	1 Year %	3 Year % p.a.	5 Year % p.a.
<b>EGG Small Companies Fund</b>	-7.48%	+1.56%	+25.99%	-5.57%	+10.97%
<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>	-8.18%	-1.88%	+19.01%	-13.08%	+4.69%
<b>Out performance</b>	<b>+0.70%</b>	<b>+3.44%</b>	<b>+6.98%</b>	<b>+7.51%</b>	<b>+6.28%</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 ResMed Inc. (+5.93%) and Ramsay Healthcare (2.80%). The portfolio was overweight 1 of the index's bottom 10 performing stocks (by index point contribution) being Monadelphous Group (-14.26%).

## Top 10 Stocks\*

	Portfolio Weight
1 OM Holdings Limited	4.27%
2 Whitehaven Coal Limited	3.84%
3 Equinox Minerals Limited	3.78%
4 Adelaide Brighton Limited	3.58%
5 Ausdrill Limited	3.39%
6 Andean Resources Limited	3.28%
7 SAI Global Limited	3.08%
8 GWA International Limited	2.88%
9 PanAust Limited	2.77%
10 Ramsay Health Care Limited	2.67%
<b>Top 10 Stocks</b>	<b>33.54%</b>
<b>Other Stocks</b>	<b>61.67%</b>
<b>Cash</b>	<b>4.79%</b>
<b>Total</b>	<b>100%</b>

\*For the Small Companies Fund as at 30<sup>th</sup> April 2010.

## Portfolio Changes

**Additions:** Flight Centre (Valuation)

**Deletions:** AWE (ASX100 inclusion).

## Market Sector Exposure\*

	Fund %
Materials	25.9%
Energy	7.9%
Industrials	23.1%
Consumer Disc	16.3%
Healthcare	6.1%
Consumer Staples	1.5%
Financials	7.6%
Information Tech	4.4%
Telecoms	2.4%
Utilities	0.0%
Property Trusts	0.0%
Cash	4.8%
<b>Total</b>	<b>100%</b>

## Eley Griffiths Group ratings

Rating Company	Rating
Morningstar	Highly Recommended Highest Rating
Standard & Poor's	★★★★★ - 5 stars Highest Rating
Lonsec	Highly Recommended Highest Rating
Zenith	Highly Recommended Highest Rating
van Eyk	A rating Second Highest Rating

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