



EGP Fund No. 1

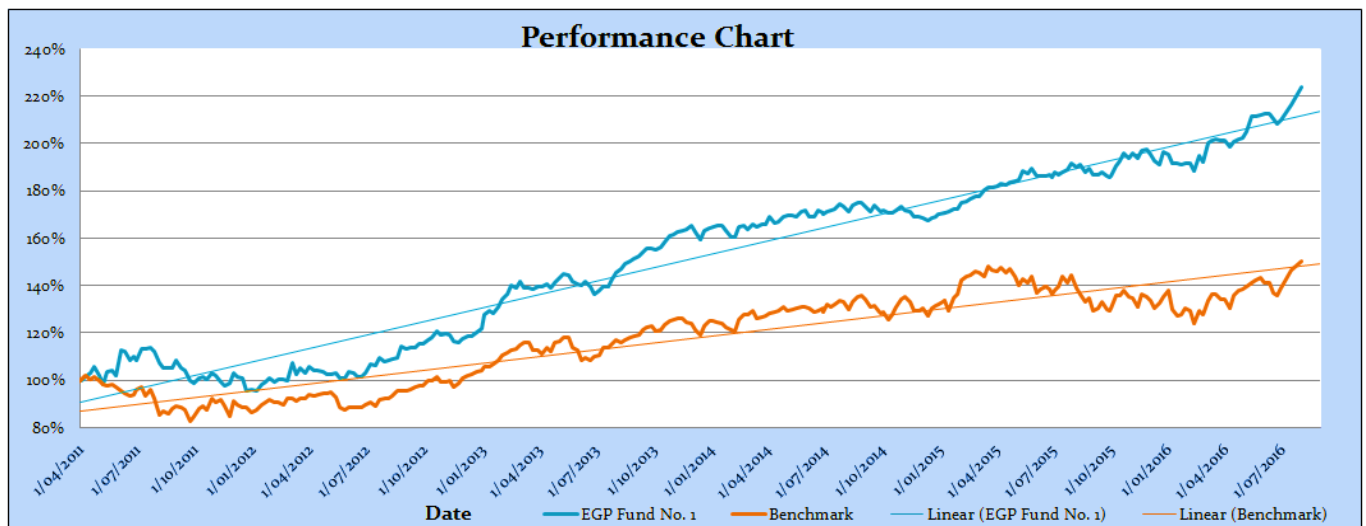
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EGP Fund No. 1 – 31 July 2016

EGP Fund No. 1 Pty Ltd is an unconstrained investment company focused on owning Australian listed businesses. It targets 3 – 5% annual outperformance of Australia’s preeminent ASX200 index over the long term. Managed by a performance orientated co-owner, we run a portfolio that is genuinely different. The sole objective is to deliver the strongest possible risk adjusted returns. The fund manager has their entire investable asset base in the fund, meaning focus on risk is unusually intense.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY11										2.0%	0.2%	6.0%	8.39%
FY12	3.4%	-3.3%	9.0%	3.5%	1.2%	-6.8%	4.7%	-0.8%	5.7%	-2.9%	0.9%	-0.5%	-4.98%
FY13	4.6%	5.0%	2.3%	3.2%	-1.4%	3.3%	7.7%	5.9%	0.5%	1.2%	0.2%	-3.5%	32.58%
FY14	4.5%	5.4%	3.3%	3.5%	1.9%	0.3%	-0.7%	0.4%	1.1%	2.0%	1.4%	-0.6%	24.71%
FY15	1.9%	0.0%	-1.4%	0.4%	-2.0%	1.2%	1.3%	2.9%	2.4%	1.3%	1.0%	-0.2%	9.04%
FY16	3.2%	-2.4%	-0.6%	4.2%	0.9%	0.0%	-2.0%	0.3%	4.9%	0.6%	4.8%	-1.0%	13.19%
FY17	6.4%												6.44%



For some reason July has always been a good month for the fund, most probably because it’s generally been a strong one for our benchmark and the market more broadly since inception.

July 2016 was no exception. The fund gained 6.4% and our benchmark gained 8.0%. These are unusually large figures, the 2nd best month for the fund since inception and the best ever month for our benchmark.

July 2016 also provided an excellent reminder of just how little the ‘commentariat’ know about, well, pretty much anything. The Brexit vote was supposed to presage an ‘extended period of global uncertainty’, yet for the life of me I can’t recall a single commentator boldly predicting the best month for the ASX200 since at least 2011...

Because the market took off so quickly, the fund was caught a little flat-footed in terms of our high levels of cash. These began the month at around 24% and ended around 14%. Holding high cash levels is always a little painful in months where markets move strongly in a positive direction, and our high levels cost us over 1.5% in foregone return. We hope that what we lost on the cash-holding swings in July we'll gain on the cash-deploying merry-go-round through reporting season as holding high cash levels through that period usually proves fruitful.

The 5 best performers for the fund in July 2016 in order of contribution:

1. SDI.AX – SDI Limited is a maker of dental amalgams, restoratives and the like. It finished June at 52 cents per share (cps) and finished July at 72 cps. The cause for the spike seemed to be triggered by what we viewed as simply an affirmation of the FY16 results we anticipated. We had been buying strongly through the recent price weakness and consequent with the sudden rise in price, it's become our second largest holding. We still view the current share price as undemanding, and will retain our large stake.
2. CYB.AX – Clydesdale Bank was the stock that kept us busiest in July, we added substantially to our holding early in the month, and then as it rapidly rose, profitably trimmed it from our 4th to 5th largest position.
3. UOS.AX – United Overseas Australia Limited is a Malaysian property developer and our largest holding. It is because of the large size of the holding that a relatively modest 4.2% move in the share-price leaves it fairly high up the list of best monthly contributors.
4. SSM.AX – Service Stream is a provider of services to essential infrastructure. It has been an outstanding performer for the fund; we trimmed 1/5th of our holding in July at a price meaningfully exceeding the entire original purchase price of our holding.
5. SRG.AX – Best fund performer in June and 5th best in July, there's a reason why 'trend-following' is popular in the stock-market.

Due to strong monthly performance, only two holdings delivered a negative return in July, the quantum of their negative contribution was negligible, despite our usual focus on the negatives we will not name them, partly as we are adding to these positions and don't need competition. Selling NWH.AX too early was actually the costliest error, described further in the blog update.

Fund Features		Portfolio Analytics	
Min. initial investment (retail)	\$10,000 (qualifying)	Sharpe Ratio ¹	4.60
Additional investments (retail)	\$1,000 increments	Sortino Ratio	1.63
Min. initial investment (Wholesale/Sophisticated)	\$100,000 (qualifying)	Annualised Standard Deviation	10.55%
Additional investments (Wholesale/Sophisticated)	\$10,000 increments	Largest Monthly Loss	-9.0%
Applications/redemptions	Monthly	Largest Drawdown	-12.0%
Distribution	Annual (31 st May)	% Of Positive Months	73.4%
Management fee	0%	Cumulative return ²	123.7%
Performance allocation	20%	1 year return ²	16.77%
Auditor	True Elite Business Services	3 year annualised return ²	16.17%
Custodian/PB	Interactive Brokers LLC	5 year annualised return ²	14.81%
Benchmark Annualised Return Since Inception	7.95%	Fund Annualised Return Since Inception ²	16.30%

1 Sharpe and Sortino Ratios calculated using the Monthly Benchmark ASX200 Franking Credit Adjusted Annual Total Return Index Tax-Exempt
2 Return is net of all fees and costs and assumes reinvestment of dividends

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