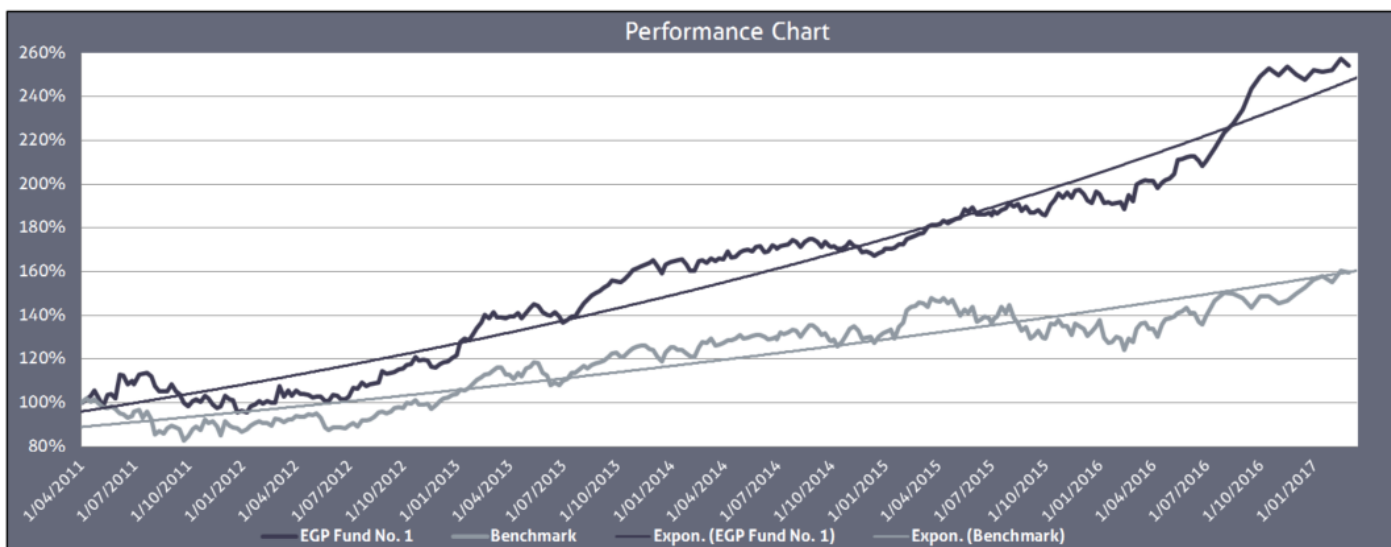


## EGP Fund No. 1 – 28 February 2016

EGP Fund No. 1 Pty Ltd is an unconstrained investment company focused primarily 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%	4.7%	6.4%	0.3%	0.1%	0.8%	0.1%	0.7%					20.88%



February could have been a very good month for performance, but when you run a concentrated portfolio and your third largest holding was savaged by the market, a good month is hard to achieve. SDI Limited was our third largest holding at the start of February and by the end of February, its price had fallen from 75.5c to 56.5c (or over 25%). If I am to look on the bright side of this horrible reversal in a large and important holding, it is that we have still made respectable returns out of the position so far. The business is further discussed in the [Blog](#) that accompanies this Monthly Update.

February marked the seventh consecutive month with a positive return for the fund. The graph above doesn’t really look like it, but each month end price has been higher than the preceding month end price for the past seven months. This is the first time such a stretch has been completed, with the streak being halted at six months three times previously. Equity investing is customarily fairly volatile,

but markets globally have been unusual in their stability over the past few months (though our benchmark was negative three of these seven months), particularly in light of circumstances most would have thought would have led to volatility. Fellow EGP investors need to remind themselves that we will have negative months again in the future, though if we can maintain our strike rate of roughly three in four months having a positive return, we expect our results will continue to look acceptable over the longer term.

Earnings season didn't reveal anything particularly surprising across our portfolio holdings. We disposed of two positions through February and trimmed two others. Explanations of greater depth about the disposals can be found in the Blog. The two disposals were Medibank Private (MPL) and CMI Limited (CMI). Both were less than 1% positions.

The customary twice annual update to the 'Portfolio Metrics' will be released mid-March to the Blog, it is one of the most important Blogs for a look-through understanding of what you own. I commend you to give that Blog your proper attention in a couple of weeks' time when it is released.

Despite our constant intention to trim the number of holdings, we replaced both disposals with new holdings. One of which is now our 6<sup>th</sup> largest holding and one that we expect we're likely to hold for at least a few years (and which we may well further add to, which is why I won't yet reveal the name – I don't need the competition!). The other addition is our 22<sup>nd</sup> largest position, and one we have already made good money from, but which will most likely be a shorter term holding, again should we dispose of it, we will discuss the details in the Blog.

The fund finished February with 28 positions; our cash level more or less steady at 6.7%, though March dividend flows will add at least 1% to that cash level. There are five or six of our smaller positions that will be exited over coming months, but will be done in a way that delivers the best results for the portfolio.

## **EGP Capital Launch Event:**

In order to ensure I get to as many of our investors and potential investors, I'm mentioning the upcoming launch of the new EGP Capital brand across all the various communications we do (just in case every investor doesn't peruse every single piece of writing I do!).

We are holding the launch event on 31 March between 6pm and 8pm at the Radisson Blu Hotel on O'Connell Street in Sydney CBD. The venue has a maximum of 50 attendees, I doubt I will need to invoke this restriction, but the attendance will be capped and the first fifty people to confirm their attendance. Others may be unable to attend. I have about 15 confirmed attendees at present, so don't be shy, let me know if you'd like to come.

I'm not a natural public speaker, but I will try to give an outline of where I think we can take the business over the next 10 or 20 years (or so).

We remain well concentrated in our best ideas with 71.9% of our invested capital in our 10 largest holdings. Fund features and portfolio analytics are set out in the table below:

Fund Features		Portfolio Analytics	
Min. initial investment (retail)	\$20,000 (qualifying)	Sharpe Ratio <sup>1</sup>	4.46
Additional investments (retail)	\$1,000 increments	Sortino Ratio <sup>1</sup>	1.76
Min. initial investment (Wholesale/Sophisticated)	\$100,000 (qualifying)	Annualised Standard Deviation	10.36%
Additional investments (Wholesale/Sophisticated)	\$10,000 increments	Largest Monthly Loss	-9.0%
Applications/redemptions	Monthly	Largest Drawdown	-12.0%
Distribution	Annual (31 <sup>st</sup> May)	% Of Positive Months	76.1%
Management fee	0%	Cumulative return <sup>2</sup>	154.06%
Performance allocation	20%	1 year return <sup>2</sup>	32.28%
Auditor	True Elite Business Services	3 year annualised return <sup>2</sup>	15.74%
Custodian/PB	Interactive Brokers LLC	5 year annualised return <sup>2</sup>	20.50%
Benchmark Annualised Return Since Inception	8.12%	Fund Annualised Return Since Inception <sup>2</sup>	17.08%
Benchmark % Of Positive Months	59.2%	Fund Size	\$10.0m
Benchmark Annualised Standard Deviation	12.03%	Buy/Sell Price for EGP Units	\$2.0566

<sup>1</sup> Sharpe and Sortino Ratios calculated using the Monthly Benchmark ASX200 Franking Credit Adjusted Annual Total Return Index Tax-Exempt

<sup>2</sup> Return is net of all fees and costs and assumes reinvestment of dividends. 1, 3 and 5 year figures are rolling annualised figures.

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