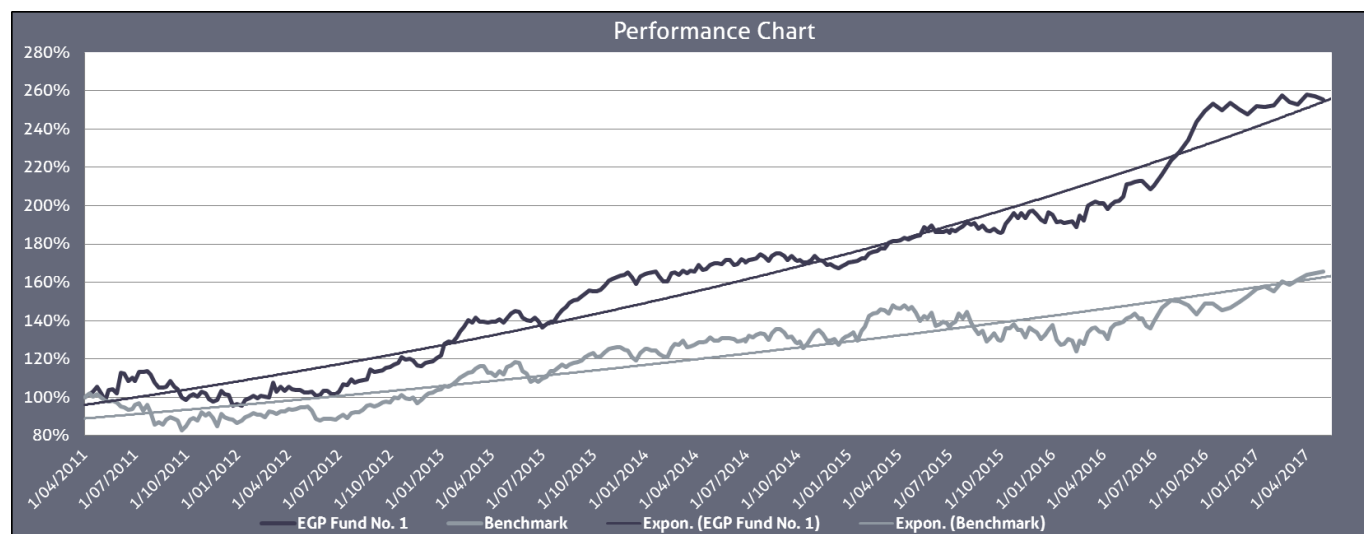


EGP Fund No. 1 – 30 April 2016

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 oriented 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%	1.5%	-0.9%			21.60%



After nine positive months since FY2017, we have for the first time this financial year returned a negative result in April of (-0.9%) The key driver was Kangaroo Island Plantation Timbers (KPT.AX), discussed on page two. Our benchmark continued its run of good months, closing the month up 1.0%.

April was a month of uncommon activity for the Fund. We eliminated 4 positions from the portfolio, and trimmed a fifth. The first two eliminated holdings, Flight Centre (FLT.AX) and Clydesdale Bank (CYB.AX) were discussed in some detail in the mid-month [blog update](#). The second two eliminated holdings, Blackwall Property Trust (BWR.AX) and Sietel Limited (SSL.AX) are dealt with in the [blog update](#) accompanying this monthly newsletter. Returns from these investments ranged from very good (CYB – IRR of 35.1%) to modest (SSL – IRR of 13.1% & BWR – IRR of 9.5%) to quite poor (FLT – 4.1%), but they all shared a demonstrably low level of risk taken for the returns earned.

A deeply discounted capital raising from our second largest holding KPT.AX has seen a significant (we think temporary) retreat in the price to near the capital raising price. We find the investment proposition extraordinarily compelling at the capital raising price and have added substantially to the position in April. The catalyst that will likely see the share price of KPT move significantly is the approval of the wharf at Smith Bay. There is (understandably) considerable nervousness about the prospect of the wharf not being approved.

Despite our view that such an event is extremely unlikely, the result would not be the disaster many think it is. Our view is that a double digit return is achievable barging the timber off the island. Situations where the downside involves a double-digit return are likely are our favourite type of situations at EGP. That's when we take big positions. The constant refrain is 'risk-adjusted returns'.

Where KPT's potential gets truly 'mouth-watering' is if the wharf is approved. Not only will the cash flow be almost 50% higher, but we'll get a lollapalooza effect pushing on our investment in the right direction. The most obvious example is the fact the wharf will have 300 days annually where timber is not being shipped from it. The potential from this is a slow building source of infrastructure quality earnings, the wharf itself has the potential to be a piece of infrastructure worth a multiple of the price of construction as other industries on the island reap the benefit of a more economic path to market.



The second big positive effect is the potential for growth in land values as the economic potential of Kangaroo Island is unleashed. For those of you who think that's probably small beer, the picture to the left shows the scale of KPT's land-holding.

Adelaide based investors & potential investors, I will be in Adelaide on May 9th to attend an analysts day on Kangaroo Island, I'm happy to stay a couple of extra days in Adelaide if anyone would like to catch up on the evening of May 9th, or the days afterward. Call or email if interested.

The fund finished April with 27 positions. Our cash level is 15.1%.

The Annual Dividend:

The Fund will pay its FY2017 dividend of 7 cents per share (with 3 cents per share Franking Credit) on 31 May 2017. These words are your reminder to let us know if you'd prefer to receive the cash than to have your dividend participate in the Dividend Reinvestment Plan (DRP). We currently have only two investors who have nominated to receive cash, unless we receive further cash nominations throughout May, the remainder will be defaulted to participating in the DRP.

The sales we have made this month, along with our participation in the KPT capital raising have seen our concentration in our best ideas increase in April, with 78.8% of our invested capital in our 10 largest holdings. Fund features and portfolio analytics are set out in the table overleaf:

Fund Features		Portfolio Analytics	
Min. initial investment (retail)	\$20,000 (qualifying)	Sharpe Ratio ¹	4.97
Additional investments (retail)	\$1,000 increments	Sortino Ratio ¹	1.67
Min. initial investment (Wholesale/Sophisticated)	\$100,000 (qualifying)	Annualised Standard Dev. – EGP	10.26%
		Annualised S/D - Benchmark	11.91%
Additional investments (Wholesale/Sophisticated)	\$10,000 increments	Largest Monthly Loss – EGP	-9.0%
		Largest Monthly Loss - Benchmark	-10.7%
Applications/redemptions	Monthly	Largest Drawdown – EGP	-12.0%
		Largest Drawdown - Benchmark	-15.1%
Distribution	Annual (31 st May)	% Of Positive Months – EGP	75.3%
		% Of Positive Months - Benchmark	60.3%
Management fee	0%	Cumulative return ² – EGP	155.57%
		Cumulative return ² – Benchmark	65.73%
Performance allocation	20%	1 year return ²	26.13%
Auditor	True Elite Business Services	3 year annualised return ²	14.77%
Custodian/PB	Interactive Brokers LLC	5 year annualised return ²	20.03%
Benchmark Annualised Return Since Inception	8.66%	Fund Annualised Return Since Inception ²	16.68%
Fund Size	\$11.6m	Buy/Sell Price for EGP Units	\$2.0687

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. 1, 3 and 5 year figures are rolling annualised figures.

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