EGP Fund No. 1 Pty Ltd
Suite 11.02,
Level 11, 37 Bligh Street,
Sydney, NSW, 2000
Telephone: 0418 278 298

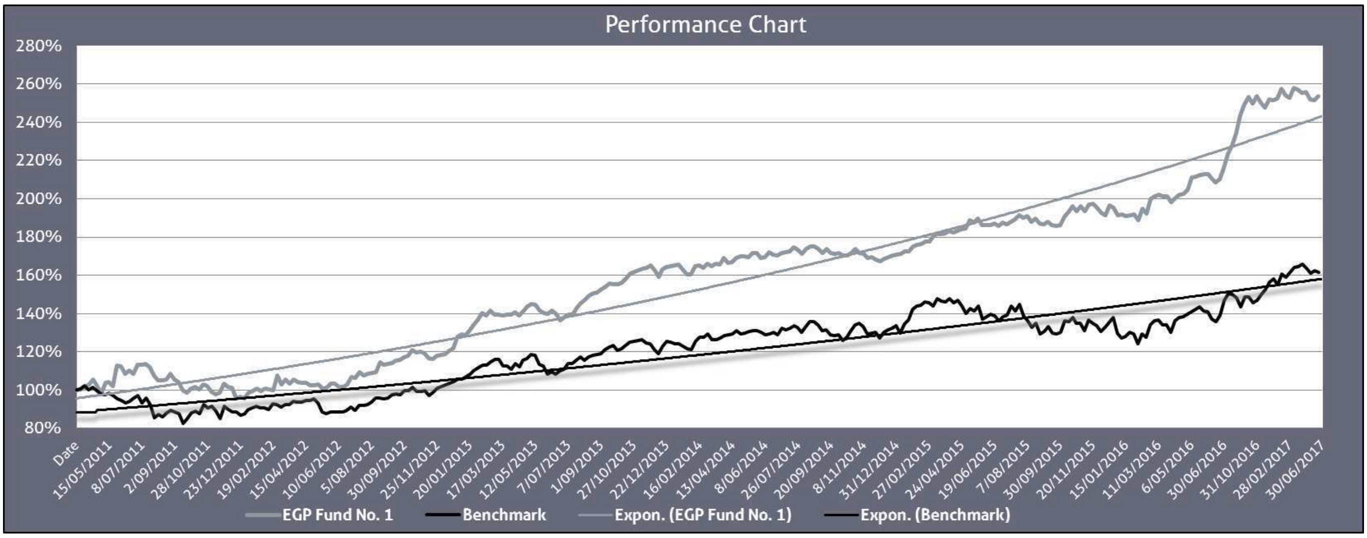
Erik A. (Tony) Hansen – Investment Manager 30 June 2017

Please find below a cumulative table, which will demonstrate over time what Albert Einstein called ***"the most powerful force in the universe"*** – compound interest. The plan is that over time, relatively modest advantages over the benchmark will accumulate to a substantially superior overall performance:

Since Inception Annualise Comparison Tables:

Financial Year	EGP Fund No 1 (after fees)	Benchmark	Outperformance
2012*	2.99%	-10.46%	13.45%
2013	32.58%[1]	22.75%	9.83%
2014	24.71%[1]	17.43%	7.28%
2015	9.04%[1]	5.68%	3.36%
2016	13.19%[1]	2.13%	11.06%
2017	20.75%[1]	15.89%	4.86%
Cumulative	153.80%[1]	61.44%	92.36%
Annualised	16.07%[1]	7.96%	8.11%

* 2012 is the 15 month period from 1 April 2011 (fund inception) to 30 June 2012 (first full financial year)
1 Assumes reinvestment of dividends



The General Market:-

The ***S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (Tax-Exempt)*** (hereafter referred to as '**the benchmark**') commenced financial year 2017 (FY2017 = July 1st 2016 – June 30th 2017) at 52006.69 points. Including reinvestment of dividends and allowing for franking credits earned, the benchmark finished FY2017 at 60271.82 points.

The average Australian investing experience in the stock market during FY2017 was therefore a gain of 15.89%.

The benchmark over a period of years will approximate the median result of leading investment companies before fees & charges. Such investment companies are the most probable alternative investments for the majority of fellow Australian investors when they seek exposure to equities.

The benchmark was selected in advance and represented a logical choice in our view. It covers about $1.7 trillion in market capitalisation and over 80% of Australian listed stocks by value, it presents no pushover. After fees; nearly 80% of active managers will fail to exceed the benchmark over the medium-term. A research report was included in the FY2015 annual letter explaining this fact in greater detail and is available on our website: www.egpcapital.com.au.

Our Experience:-

EGP Fund No. 1 Pty Ltd (hereafter referred to as '**the fund**') commenced FY2016 at $1.7013. The fund finished FY2017 at $1.9544, after paying a grossed up dividend of 10 cents per share (cps) on 31 May 2017.

This resulted in a gain of 20.75% after allowing for all fees and expenses. The outperformance against the benchmark was our second weakest since inception. Those who have followed EGP for any length of time will not be surprised by this, as we have long said that when the benchmark performs strongly, (and very few were predicting 15.89% benchmark returns at the start of FY2017) the likelihood of the fund outperforming is considerably reduced.

We consider our portfolio, as currently constructed, represents excellent value and unless the benchmark suffers a significant reversal in FY2018, we would be hopeful of a respectable result again in the year ahead for the positions we already hold. As we discuss further on, much will depend on the opportunity set presenting in FY2018, as we will soon be substantially in cash.

Results should be considered over the longer term, preferably 3 – 5 years. The fund has operated for over six years so far, generating 16.07% annually after all fees and expenses. The benchmark over this period delivered 7.96% annually. The 8.11% annual outperformance we have generated to date has exceeded our annual target of 3-5% outperformance. Provided that investment prospects with attractive risk adjusted returns continue to materialise, we would be extremely pleased to be able to continue outperforming our own expectations.

I do urge potential investors to remember this. Despite besting our benchmark each of our first 6 full years, we would caution against extrapolation. There will **inevitably** be years where we fail to outperform. Your protection in such a year as an EGP investor is that you pay nothing for such a result and any shortfall must be recovered in future years.

We have beaten the benchmark by roughly 1 standard deviation as a variable number for 6 years, more in some and less in others. People familiar with the "68-95-99.7 rule" will be aware that the chance of any result in a normal distribution being one standard deviation above average is less than 16%. The chance of such a result 6 consecutive years through chance alone is infinitesimal. To those who believe in the efficient market hypothesis and that consistent outperformance is unachievable, watch EGP and the other zero-fee managers we introduce to the market in coming years. You may not be convinced immediately, but we're sure you will be convinced eventually.

As always, fellow investors in EGP should remember that any year when the benchmark declines by 35% and the fund declines by 20% is viewed as a substantially superior outcome to one in which both advance by 15%. Ordinarily, we expect our best chance of outperformance to come in periods of substantial decline. In the event of a sharp rise, we are happy just to keep pace. This year was almost such a year but strong outperformance over the May/June period meant we delivered outperformance in the targeted 3-5% range.

If the concept of holding an investment capable of substantial decline in the short-term makes you uncomfortable, you would be well-advised to have the majority of your wealth and investments outside of the Stock Market. It is precisely the type of outperformance described above that we will be chasing. The expectation that over a reasonable period, outperformance of the benchmark will lead to very satisfactory results has been borne out. We should also expect at least one in six periods to result in a negative return for the benchmark, remembering the fund is unlikely to be completely immune should this happen.

The fund ended the FY2017 with 29 holdings. Our target of about 25 holdings remains, but sometimes the smaller positions take longer to work out than anticipated. Our top 5 holdings at 30 June 2017 comprise 55.1% of our stock portfolio (i.e. excluding cash holdings). Our top 10 comprise 72.7% and our top 15, 84.6%. We remain, as ever, well concentrated in our best ideas.

We hold 14.9% cash. Where we have good ideas for the cash, we are using it. Given the significant cash inflows due immediately upon becoming a Unit Trust in the next few weeks, hoarding cash makes little sense. We will never use our cash for the sake of it. Only when we find a satisfactory opportunity will we deploy your funds.

Our Chosen Benchmark:-

It has been suggested, given EGP's predilection for small capitalisation investment the 'Small Ordinaries' index might be a more suitable benchmark. We eschewed this option at inception because in our view it was too easy a benchmark to beat. This has proven to be the case with the difference looking like this:

Financial Year	EGP Fund No. 1 (gross results)	ASX200TRGU (Benchmark)	Small Ordinaries Total Return	EGP Fund No 1 (after fees)	After Fees if Small Ords is Benchmark
2012*	2.99%	-10.46%	-20.48%	2.99%	**2.99%**
2013	35.07%	22.75%	-5.32%	32.58%	**26.99%**
2014	26.83%	17.43%	13.11%	24.71%	**24.09%**
2015	9.87%	5.68%	0.44%	9.04%	**7.98%**
2016	15.96%	2.13%	14.40%	13.19%	**15.65%**
2017	21.97%	15.89%	7.01%	20.75%	**18.98%**
Cumulative	174.17%	61.44%	4.71%	153.80%	**141.14%**
Annualised	**17.51%**	**7.96%**	**0.74%**	**16.07%**	**15.12%**

As you can see above, since EGP's inception, the Small Ordinaries index has underperformed the ASX200 by 7.22% annually.

Whilst it would do much for my ego to be able to report we were outperforming the index by 15.33% after fees, rather than 8.11%, it does very little for you, our clients. The selection of a weak benchmark would simply have allowed your fund manager to clip an extra 0.95% annually in performance fees.

This outcome was entirely predictable ex-ante. The Small Ordinaries is rife with second rate businesses that have next to no hope of ever making an economic return on capital. Think exploration miners and biotech hopefuls.

The first part of our job when allocating your capital prudently is to steer well clear of such rubbish. That being the case, why would I want to compare our results to an index containing such uninvestable detritus.

This is why the ASX200 is the benchmark. Although some inferior companies will periodically make it into the index, the businesses included will generally have some type of proven business model. The quality of the components of the benchmark we've chosen are better and its results should therefore be consistently higher in my view.

Given our aim is simply to generate satisfactory appreciation of capital over the long-term, a simple annual carried-forward hurdle of somewhere between 6-7.5% would also have been suitable. Such an option does risk years (such as FY17 just gone and FY13 & FY14) when the market is putting on strong double-digit returns and people will think it's too easy a benchmark.

I think our benchmark makes eminent sense given these factors.

We treat the capital entrusted to us in exactly the same way we would treat our own. We like to think of EGP Capital as a family office looking after Hansen family assets that happens to invest some client money alongside. In this vein, our investments will always be index unaware. We are simply looking for the best risk adjusted return we can find in investments we understand well.

It is for this reason we have left ourselves an extremely broad mandate. The total capital EGP oversees is currently relatively modest and a focus on Australian listed businesses has allowed us to generate a strong record to date. But if in 15 or 20 years' time - yes, we really think that far out - when our capital base is conceivably multiples of what we currently manage, we don't wish to have some restriction, placed when the capital being deployed was much more modest, preventing us from making an investment where the economics stack up.

As I always tell people, whenever you hear someone exclude something from their investment universe and tell you they expect it to improve their overall returns, you should run a mile. Anything you exclude, on any ground (size, ethics, liquidity etc.) will at some stage exclude an investment that has outstanding economics. Such an exclusion may be the right thing to do for some reasons, but improved returns cannot be legitimately claimed as one of them.

The portfolio, a year in review (selling stocks is hard to do):-

The most powerful theme in FY2017's performance was how hard selling is. We have always thought of ourselves better buyers than sellers but this year was especially painful in this regard. They say when you sell that you have to 'leave a little meat on the bone', but we served some pretty meaty bones up in FY2017, unfortunately.

Our first significant sale was NRW Holdings (NWH.ASX) at 25cps in July 2016. It has subsequently traded as high as 85cps through the year and closed at 64.5cps, though in fairness to us it had rallied more than 6-fold from its low of 4cps in February 2016 when we sold.

We reprised the NWH incident with August 2016 sales in the mid-90cps range for Service Stream (SSM.ASX), only to see SSM close the year at $1.32, after trading as high as $1.45. We consoled ourselves with the fact that after the 5cps return of capital, our average purchase price was a shade over 13cps and a slightly more than seven-fold return in less than 2 years, which is a rare and pleasant experience.

Other sales made too early included Challenger (CGF.ASX) at $11 per share (closed the year at $13.34 after trading as high as $13.73) and Flight Centre at less than $31 (closed the year at $38.30).

Fortunately, the things we held onto mostly did well and the capital realised from the above sales was often reinvested into other businesses that did very well.

We initiated a couple of positions in FY2017 that have performed very well to date. We purchased Blackwall Limited (BWF.ASX) in September for 60cps; it closed FY2017 at 90cps, after paying us 3.6cps in fully franked dividends. We also purchased Locality Planning Energy over February and March 2017 at an average price of 2.06cps; it closed FY2017 at 2.7cps.

We had good successes for some larger holdings we owned for the whole financial year too, including:

1. Dicker Data (DDR.ASX) which increased from $1.79 to $2.37 whilst paying us 16.1cps in dividends (45.25% grossed up return)
2. FSA Group (FSA.ASX) which increased from $1.015 to $1.36 whilst paying us 7cps in dividends (43.8% grossed up return)
3. United Overseas Australia (UOS.ASX) which increased from 47.5cps to 61cps whilst paying us 3cps in dividends (33.7% return)
4. SDI Limited (SDI.ASX) which increased from 52cps to 58cps whilst paying us 2.2cps in dividends (18.1% grossed up return). Though it must be pointed out that SDI went from 52c to 58c by way of $1.16, so we could have generated a better return with more effective trading…

An important takeaway from the foregoing examples of what we did with your capital this year is that you don’t need to trade every stock to perfection to generate respectable returns. As John Maynard Keynes said, “It is better to be roughly right than precisely wrong”.

The wonderful thing about markets is that even being only ‘roughly right’ you can generate very satisfactory outcomes. I would take in advance the 21.97% we generated before fees any year it was offered to me!

Dividends:-

We paid a fully franked dividend of 7 cps (i.e. with a 3cps Franking Credit attached) on 31 May 2017. We have now distributed cash dividends of 31 cps since inception, or 44.2857 cps including the franking credits. When we become a Unit Trust this year, it will mean our distribution requirements will be those mandated by law but in practical terms, our policy of distributing our franking balance annually in full was always going to continue. We cannot invest them, so they should be returned to you to claim against your tax obligations. We do not aim to provide any specific annual yield so the annual distribution is likely to be highly variable. We are also likely to move the dividend to 30 June each year, given the distribution will now be handled by a third-party (it was placed a month before the end of financial year so there wasn't a rush of administrative duties near the end of the financial year).

This is not a road, it's only a map:-

We started investigating creating a fund built around the 'zero management fees' ethos in 2010. Yogi Berra famously said "If you don't know where you are going, you'll end up someplace else." With this sage advice in mind, at EGP, we've had a pretty clear idea of roughly what we hoped to do in terms of our business. Despite this clear map of where we wanted to go, we've been flexible in how we've operated, consistently doing whatever we thought was best for the investor group.

Yogi Berra also said "If you come to a fork in the road, take it" and that's some advice we've also taken this year. The most substantive change since the funds inception will shortly happen. We are in the process of moving from a company structure (EGP Fund No. 1 Pty Ltd) to a Unit Trust (EGP Concentrated Value Fund). Attached at Appendix 1, you will find a letter we recently distributed to existing shareholders and pre-committed unitholders to explain what we expect to happen in coming weeks.

The seed of the change we are currently making was sown in July 2015 when I was introduced to Chris Cuffe by one of your fellow EGP'ers. After talking about what we were trying to do at EGP we agreed to manage some funds for one of Chris' charitable interests and rebate our performance fee. I was delighted to have the opportunity to ensure someone so accomplished and industry connected would see our results every month.

Every time I pestered Chris for how EGP could be improved, he was generous with both time and advice. Having seen substantially all of the changes he recommended swiftly implemented, Chris understood we were serious about making EGP bloom into something greater than it was. After a mentoring session in early 2017, we decided we might do well to do something together and EGP Concentrated Value Fund was born out of that.

In order to make this conversion happen, we have had a considerable administrative burden to hurdle. Among the first things we did was to go to the ATO to get a Private Ruling to ensure the conversion did not constitute a Capital Gains Tax (CGT) event. We will provide a copy of this to all existing shareholders as soon as the ATO provides it to us.

Audit and Member Audit:-

Our final ever Member Audit will be conducted for the June 2017 results. In a case of things coming full-circle, our Member Auditor will be the fellow EGP investor who introduced Chris and I. He will shortly receive the same information as our external auditor, and scrutinise it thoroughly I'm sure.

Once the move to a Unit Trust has been completed, Ernst & Young will become our external audit provider. It will become impractical therefore to continue our Member Audit practice. Despite this change, we will still try to remain the most transparent possible investment operation.

Let me hear from you regarding any questions you may have on any aspects of this letter or anything else regarding the fund that you would like to know.

Best Regards,

Erik A. (Tony) Hansen

Chief Investment Officer

EGP Capital

Important Information:

The EGP Concentrated Value Fund (Fund) is expected to launch in July 2017 this launch date is subject to several dependencies and may change. EGP Capital Pty Ltd (ABN 32 145 120 681) (Corporate Authorised Representative # 001255239 of AFSL 233045) is the investment manager of the Fund. The issuer of units in the Fund will be the responsible entity Fundhost Limited (ABN 69 092 517 087) (AFSL 233045). The Product Disclosure Statement (PDS) which contains all of the details of the offer is expected to be available to investors in July 2017. Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. Copies of the PDS will be available from Fundhost Limited (02) 8046 5000 or www.fundhost.com.au/funds/. An investment in the Fund will only be available through a valid application form attached to the PDS. The information provided does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor if necessary. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall.

A Welcome to EGP Concentrated Value Fund:-

Chris Cuffe and I are delighted to thank you for your interest in the EGP Concentrated Value Fund (the fund). The response to the announcement of his appointment to the Board of EGP Capital was overwhelming. It satisfied a feeling we had that there's untold demand for active management, provided the investor can see their manager needs to deliver to earn.

In the space of less than a week, interest in the fund has gone from $12.5m to a soft-close of $50m (once the Unit Trust build is complete and the committed funds delivered). This soft-close means the initial investors are likely to be the only investors we will ever take into the fund.

In combination with Chris notifying his network of his involvement with EGP Capital and a little media coverage associated with this, the $37.5m non-binding book-build was completed very swiftly. Even after running the strategy for over six years, the thrill we feel when someone gives us the opportunity to help build their wealth remains undiminished. We are genuinely grateful for your support and will work relentlessly to repay it with results.

EGP Capital was always intended to be a true 'boutique' fund manager. Its aims are not so much about building a fund management business as taking a concept of 'reward for effort and results' to an industry that isn't instinctively structured this way. There will only be about 200 unitholders in the fund, so this will allow us to provide a good level of personal service. I hope anyone with a query as to what we're doing feels genuinely welcome to get in touch.

Transparency and the alignment of our interests as a manager with yours as an investor is the central theme of EGP Capital. It is why we don't earn a fee if we can't deliver the promised performance and likewise why my own entire investable asset base is inside the fund.

In the interests of transparency you should also be aware that I agreed to pay Chris Cuffe a fee for assisting EGP Capital by introducing us to new potential investors. The basis for this fee is also performance related. I have agreed to share part of my performance fee with Chris for a period of time. So if I don't perform over time then Chris earns nothing. Chris and I both felt this arrangement would also demonstrate his strong belief in the ability of EGP Capital to do well for its investors.

The equity ownership of EGP Capital remains entirely with my family. Chris's ongoing involvement will be simply as a director of EGP Capital, to help watch over its activities.

Your Expectations of us:-

EGP Concentrated Value Fund is an uncommon vehicle. We describe ourselves as value investors, but when discussing the fund with external groups, they found our history of results very hard to profile.

We do not fit easily into a bucket. We have a primary focus on small capitalisation companies, which is simply an outworking of the fact that the best risk/reward structures are often found there. We have occasionally owned very large companies when they were the most attractive application for our capital. We have also left open in our mandate the option for international investment. We expect it unlikely that we will do very much internationally whilst our capital base is relatively small, but did not wish to exclude anything where an opportunity may present in the future.

At EGP Capital, our idea of true horror would be "Here's an extraordinary investment opportunity with risk/reward characteristics better than anything else available at present, but unfortunately it's excluded from your mandate"…

On the day the new capital arrives in the trust, we expect to have alongside our existing equities portfolio an approximately 80% cash holding. For those I've spoken to, I have warned that if FY2018 is an especially strong one for our benchmark, we will almost certainly underperform for the first time. Conversely of course, if the benchmark performs very poorly, we should have had an easy victory in FY2018. We hope those joining us are thinking long-term and take the next 12 months in their stride, whatever it brings.

Once the book-build intake is done we intend to halt further additional applications from our investors for at least the remainder of calendar 2017 to give us an opportunity to systematically deploy the funds without the pressure of further cash inflows. We expect it will take most of FY2018 to deploy all of the funds, unless some opportunities unexpectedly present.

Once we get into 2018, or get our cash levels below perhaps 25 or 30%, we will consider reopening the fund to existing investors. We are likely to have some restrictions around the monthly inflows to avoid any large holders dominating. We think a $200k maximum monthly subscription alongside the $20k minimum addition makes sense and will ensure all holders get a reasonable opportunity to increase their holding. This will also ensure the $100m hard-close doesn't come about too rapidly.

At EGP Capital we spend almost no time thinking about the direction the market is headed. Our sole focus is on locating ideas that we think make strong financial sense over the medium to longer term and are unlikely to be significantly harmed by any reasonably foreseeable event. Our Beta, to use industry parlance, is exceptionally low as the investments we make are usually largely uncorrelated with the behaviour of the overall market.

The upshot of this idiosyncratic and uncorrelated portfolio construction has been more than 6 consecutive years of outperformance. But I always warn existing and potential investors that it is my expectation that in something like one in four years the fund will underperform its benchmark and that such an event is much likelier in a year of very strong benchmark performance.

Furthermore, the fund will periodically have negative years. I have been reminding our existing investor group regularly for more than 6 years that a year when our benchmark declines by say 35% and the fund declines by 20% **(by the way, prior to the establishment of the fund, calendar 2008 produced results in your fund managers' personal portfolio not unlike this – it set us up for a memorable 2009!)** would be viewed as a substantially superior outcome to one in which both advance by 15%. The expectation is that over a reasonable period outperformance of the benchmark will lead to very satisfactory results and this has borne out so far.

<u>Introducing Fundhost:-</u>

The Responsible Entity, Trustee, Registry Services, Compliance and Custody arrangements of EGP Concentrated Value Fund will be provided by Fundhost Limited and their associated service providers. A boutique business like our own, Fundhost is nonetheless used by some well-known fund managers. We expect they'll do an excellent job.

The move from our Pty Ltd Company into a Unit Trust is a complicated and highly unusual process and despite some difficulties finding the right path forward, Fundhost have been helpful and supportive in finding the best approach.

Chief among the difficulties we faced, given the original vehicle (EGP Fund No. 1 Pty Ltd) had accumulated around 60 or so 'retail' investors along the way, was how to get them into the new fund. We originally thought we could move them into a Wholesale unit trust vehicle, but this proved too difficult.

The solution has been that EGP Concentrated Value Fund will be a Retail Trust, although it makes little practical difference because we expect to be closed to new investors from the time the fund launches. Fundhost have been most agreeable in the way that the cost of running the Trust has been structured, with much keener prices than a regular Retail Trust, given many of the usual challenges of operating a Retail Trust will be absent from ours.

Fundhost are in the process of developing the Product Disclosure Statement (PDS), which we are hopeful should be done towards the end of this month. As soon as it's finalised and available, we will furnish every new and existing investor with a copy and encourage a thorough perusal.

Other Salient Points:-

- The timing of the money you've committed remains indeterminate. We are targeting the completion of the PDS in late June, the rolling of existing investors into the Trust in mid-July and striking the Unit price for the book-build intake on 31 July 2017. If that all works to plan, you'll likely be asked to send the funds in the last week of July. Otherwise, we will keep you posted as to the timing.
- We charge zero management fees, but there are fees associated with the running of the Unit Trust. We anticipate these costs will be around 25 basis points (bp's) excluding brokerage whilst we're around $50m in size. Of course, when factoring brokerage costs deploying the large amount of new capital, costs will be higher in the first year than we would expect in subsequent years once the portfolio is more stable. After FY2018, costs will be capped at 30bp's annually. The expectation is that as many of these costs are fixed and so by the time the fund grows to say $250m, the charge is likely to be less than 20bp's. Charges in this are primarily comprised of Fundhosts fees for providing the services set out above. Other out of pocket cost includes an annual distribution review/audit, a semi-annual fund financial audit, an ASIC annual review, a compliance plan audit and an annual manager review. There will also be some transactional, brokerage and custodial costs. As always, any costs incurred by your fund manager by, for example, travelling to meet with companies, will be borne by the manager.
- EGP Capital has traditionally had no buy/sell spread. We will now introduce a modest 0.15% buy spread in order to ensure new funds cover their own transactional costs (primarily brokerage), there will likewise be a 0.15% sell spread introduced. Funds withdrawn within the first year after subscription will also be subject to an additional 0.15% exit fee to encourage longer-term investing. EGP Capital will not receive this fee; it will go towards the fund's operating costs, reducing costs for remaining investors. We hope we never levy it.

- The Unit Trust will be monthly priced and redemptions will be available monthly. Redemption notices will need to be received at least 10 business days before the end of the month.
- Since inception, EGP Capital has always produced its performance figures exceptionally swiftly. For the first 260 weeks, they were published sometime Friday evening, with an accompanying blogpost on the website. Since the beginning of FY2017, as the demands of the business grew and the number of things left to write about diminished, the blogs and pricing were reduced to twice monthly, one on the 15th each month and one on the last trading day. Given we will now be awaiting our monthly pricing confirmation from a third-party pricing provider; we are anticipating a single monthly blogpost and investor letter. I am hopeful this will be the 5th each month. We will continue to use a monthly mass mailout and to post the monthly update and blogpost at www.egpcapital.com.au
- We have, since the inception of the S&P/ASX 200 FRANKING CREDIT ADJUSTED ANNUAL TOTAL RETURN INDEX (TAX-EXEMPT) used it as our benchmark. We have always had a stated preference for comparing pre-tax returns for the fund with the pre-tax results available from benchmark ownership. Fundhost have indicated they will be unable to add back in Franking Credits we deliver to Unitholders as part of the performance. As such, we will be unable to add the Franking Credits into the benchmark for a pure pre-tax return. We are therefore likely to now use the S&P/ASX 200 TOTAL RETURN INDEX as our benchmark and ignore the value we deliver to you via franking. Do not fear though, where there are opportunities to capture franked gains, we will do so for our unitholders benefit.

The foregoing sets out all the points we can think of at this stage that are pertinent. If we have overlooked anything, we will try to pick it up in our other regular communications.

Warmest Regards,

Erik A. (Tony) Hansen
Chief Investment Officer
EGP Capital

EGP Fund No. 1 Pty Ltd

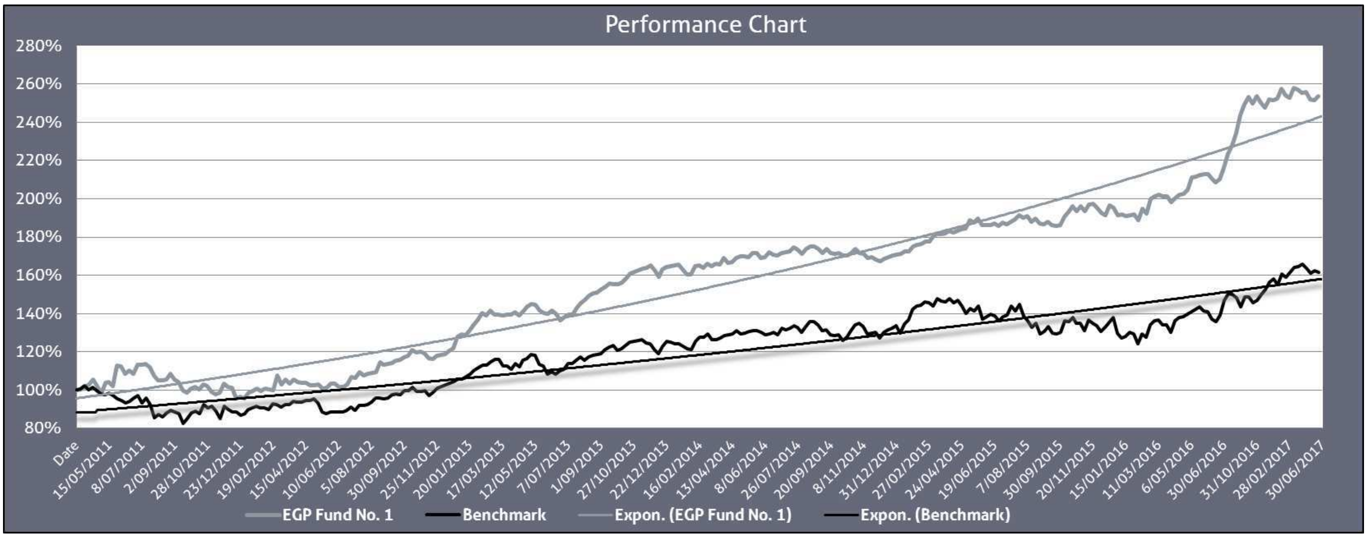
Address: Suite 2, Level 11, 37 Bligh Street
Sydney, NSW, 2000

Mobile: 0418 278 298

EGP Fund No. 1 – 30 June 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%	-1.4%	0.7%	20.75%



June was a return to form for the fund; we gained 0.7%, while our benchmark gained 0.2%. The final tally for FY2017 was a 20.75% return for the fund after all fees and costs as against 15.89% for our benchmark.

The fund finished June holding securities from 29 companies. We eliminated two very small holdings in June. These eliminations were two NSX listed community bank stocks. The stocks collectively comprised 0.68% of the assets of the fund at disposal. Once the new funds arrive as part of the move to a Unit Trust, they would have been about 17 basis points. As increasing the size of the holdings is essentially impossible (a single holder may not own more than 10% of the equity of a community bank) we elected to dispose of these holdings. We have earned a little over a double digit return annually over the period we've held these stocks, almost purely from grossed up yield.

Sarina and District Community Financial Services Limited (SDC.NSX) is a Bendigo Bank branch with a market capitalisation of $684,103.55. It holds a cash balance of $631,000 at last balance date. With tangible assets of $837k, you are effectively being paid $153k to take away a bank that over the past 4 years has earned $553,680 in profits after tax and distributed over $1m in community grants into the area it operates (earns a good return and does enormous good in its community too!). We did not sell for any reasons other than the impracticality of such a tiny holding in our new structure. At a grossed up trailing dividend of 13.53%, the buyer of our stock will get a very sound result.

Rye & District Community Financial Services Limited (RYE.NSX) is a slightly larger community bank with 3 branches. It was sold on a grossed up yield of a little over 9%, but is much likelier to grow its dividend into future years. Again, with a capitalisation below its tangible assets at the time of sale, the downside protections are very strong.

It is in areas such as those described above that investors with very small pools of capital can earn very satisfactory returns at very low risk if they are willing to put in the time and effort. It should be pointed out that community banks are quite a tricky area to invest in. There is a propensity for the board to develop a 'God Complex', distributing substantially all of the profits as donations to the community, forgetting to reward those that made the capital available to create the bank in the first place. One must be very discerning in the space. When investigating, look for boards with meaningful holdings and a history of respectable levels of returns to shareholders.

After a strong inflow for our last ever intake as a company before we become a Unit Trust and despite augmenting three existing positions in June and adding a new one, our cash level is 14.9%. Our 5 largest holdings comprise 55.1% of the invested portion of the portfolio and our with 10 largest holdings comprise 72.7% of same.

The establishment of the new Unit Trust **EGP Concentrated Value Fund** is progressing well. There is a letter attached to this communication that was recently circulated to the investors who have committed funds. It sets out our expectation of the pathway to completing the establishment of EGP Concentrated Value Fund.

As always, thanks to our investors for the support over the course of FY2017 and we look forward to working hard for all our investors in FY2018 and for the years beyond.

Fund Features		Portfolio Analytics	
Min. initial investment (retail)	Closed	**Sharpe Ratio[1]**	**4.83**
Additional investments (retail)	Closed	**Sortino Ratio[1]**	**1.61**
Min. initial investment (Wholesale/Sophisticated)	$100,000 (qualifying)	**Annualised Standard Dev. – EGP** **Annualised S/D - Benchmark**	**10.18%** **11.84%**
Additional investments (Wholesale/Sophisticated)	$20,000 increments	**Largest Monthly Loss – EGP** **Largest Monthly Loss - Benchmark**	**-9.0%** **-10.7%**
Applications/redemptions	Monthly	**Largest Drawdown – EGP** **Largest Drawdown - Benchmark**	**-12.0%** **-15.1%**
Distribution	Annual (31st May)	**% Of Positive Months – EGP** **% Of Positive Months - Benchmark**	**74.7%** **60.0%**
Management fee	0%	**Cumulative return[2] – EGP** **Cumulative return[2] – Benchmark**	**153.80%** **61.44%**
Performance allocation	20%	**1 year return[2] – EGP** **1 year return – Benchmark**	**20.75%** **15.89%**
Auditor	True Elite Business Services	**3 year annualised return[2] – EGP** **3 year annualised – Benchmark**	**14.21%** **7.74%**
Custodian/PB	Interactive Brokers LLC	**5 year annualised return[2] – EGP** **5 year annualised – Benchmark**	**19.77%** **12.51%**
Benchmark Annualised Return Since Inception	**7.96%**	**Fund Annualised Return Since Inception[2]**	**16.07%**
Fund Size	**$13.4m**	**Buy/Sell Price for EGP Units**	**$1.9544**

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.