



**EGP Concentrated Value Fund**

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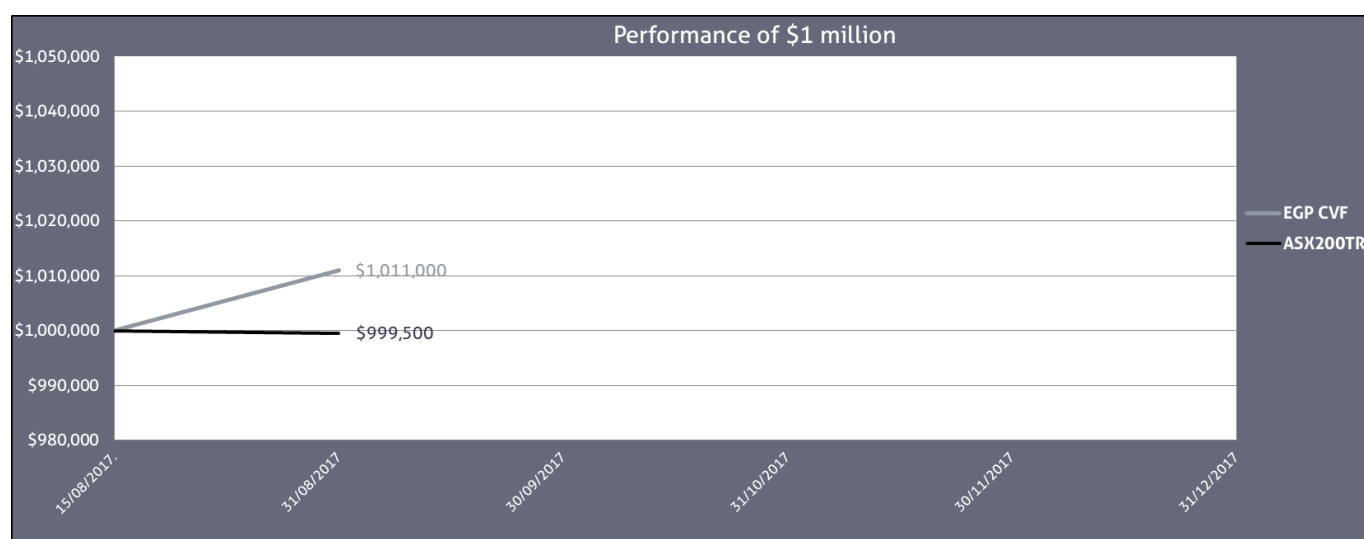
## EGP Concentrated Value Fund – 31 August 2017

EGP Concentrated Value Fund is a managed investment scheme 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.

EGPCVF	Jul	Aug*	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY18	N/A	1.1%											1.10%

Benchmark	Jul	Aug*	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY18	N/A	(0.1%)											(0.05%)

\*August 2017 is the period from August 15<sup>th</sup>-31<sup>st</sup> for both the fund and the benchmark in the above tables.



This is the inaugural update for the **EGP Concentrated Value Fund**. The fund had a positive return between August 15<sup>th</sup> and the end of August 2017 of 1.1%, while our benchmark over the same period lost a little (-0.1%). The fund finished the month with securities from 32 companies. We disposed of one position in the month, as always, that disposal will be reviewed in more depth in the blog accompanying this update on the website ([www.egpcapital.com.au](http://www.egpcapital.com.au)).

The fund began with 36% equities and 64% cash. After allowing for a little over \$6 million of additional funds that will be priced for 31 August, the fund portfolio weightings in the first week of September will move to approximately 45% equities and 55% in cash. We are trying to be as disciplined as possible in our purchasing program, so absent some extraordinary market dislocation, you should expect the deployment of the cash pool to be a 'slow-burn'. Given we averaged such high cash levels, the 1.1% net return is quite a pleasing result.

In the meantime, it must be noted that with cash levels very high and interest rates very low (our cash and equivalents earned an annualised interest of less than 2% in August – we are investigating ways to improve the earnings of this component of the portfolio while we find interesting opportunities for the funds) there is significant potential for the fund to underperform if the market suddenly moves higher.

Cash has an important portfolio effect I describe as an 'anchor and buoy' effect. When the market is moving sharply higher, the cash acts as an anchor making it very difficult to keep pace with the market. On the other side of that coin of course, the cash acts as a buoy in the event of a market reversal. We would be very pleased to see the 'buoy' effect at play over the next few months as we attempt to find pleasing risk/reward opportunities for the cash.

As part of the new fund, we will commence reporting of our top 10 holdings for the assistance of investors in tracking what they own. The exception to these disclosures will be the fact that if we are still actively building a position, we will leave it marked at 'Undisclosed', while still marking the percentage of the equity portfolio (and in brackets including the cash holdings) the position occupies. Without further ado, our top 10 at 31 August 2017 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	Kangaroo Plantation (KPT.ASX)	16.8%	8.8%
2	United Overseas Australia (UOS.ASX)	11.4%	6.0%
3	Undisclosed	10.2%	5.4%
4	Dicker Data (DDR.ASX)	5.2%	2.8%
5	Undisclosed	4.7%	2.5%
6	Undisclosed	4.7%	2.4%
7	Undisclosed	4.6%	2.4%
8	Undisclosed	4.3%	2.3%
9	Undisclosed	4.2%	2.2%
10	SDI Limited (SDI.ASX)	4.1%	2.2%

Obviously, our largest position is the 55% cash we are carrying, but of the portion of the portfolio, our largest 5 holdings now comprise 48.5% of our capital, and our top 10 holdings are 70.4% of capital.

This list will clearly be quite unhelpful for certainty around exactly what we own at present, but it gives a reasonable idea of our concentration levels. As our cash balance is deployed and we complete the purchasing of some of the undisclosed positions, they will be named and our reasons for holding the positions discussed. Until then, we do not need any unwanted competition in our purchasing program, as one of the keys to satisfactory returns is an undemanding purchase price.

As flagged in the letter accompanying this update, September 2017 will be our final ever month for taking new investors into the fund as we anticipate exceeding \$50m of AUM, which is the point at which we have committed to soft-closing the fund. Anyone wanting to join contact me:

[tony@egpcapital.com.au](mailto:tony@egpcapital.com.au)

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Fund Features		Portfolio Analytics	
Min. initial investment	\$100,000	Sharpe Ratio <sup>1</sup>	N/A
Additional investments	\$20,000	Sortino Ratio <sup>1</sup>	N/A
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	N/A N/A
Distribution	Annual 30 <sup>th</sup> June	Largest Monthly Loss – EGP Largest Monthly Loss - Benchmark	N/A -0.1%
Management fee	0%	Largest Drawdown – EGP Largest Drawdown - Benchmark	N/A -0.1%
Performance fee (<\$50m)	20.5% (inc GST)	% Of Positive Months – EGP	100.0%
Performance fee (>\$50m)	15.375% (inc GST)	% Of Positive Months - Benchmark	0.0%
Auditor	Ernst & Young	Cumulative return <sup>2</sup> – EGP Cumulative return <sup>2</sup> – Benchmark	1.1% (0.1%)
Custodian/PB	NAB Asset Services	1 year return <sup>2</sup> – EGP 1 year return – Benchmark	N/A N/A
Responsible Entity	Fundhost Limited	3 year annualised return <sup>2</sup> – EGP 3 year annualised – Benchmark	N/A N/A
Fund Size	\$40.9m (not inclusive of August 31 intake)	5 year annualised return <sup>2</sup> – EGP 5 year annualised – Benchmark	N/A N/A
Mid-Price for EGPCVF Units	\$1.0110	Buy Price for EGPCVF Units Sell Price for EGPCVF Units	\$1.0125 \$1.0095

<sup>1</sup> Sharpe and Sortino Ratios calculated using the Monthly Benchmark ASX200 Total Return Index

<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.

Past performance is not an indicator of future performance.

The information in the below table is provided for shareholders in EGP Fund No. 1, and does not relate to the EGPCV Fund.

EGP Fund No. 1 Pty Ltd Equivalent Price	\$2.0110
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