



EGP Concentrated Value Fund

Address: Suite 2, Level 11, 37 Bligh Street
 Sydney, NSW, 2000
 Mobile: 0418 278 298

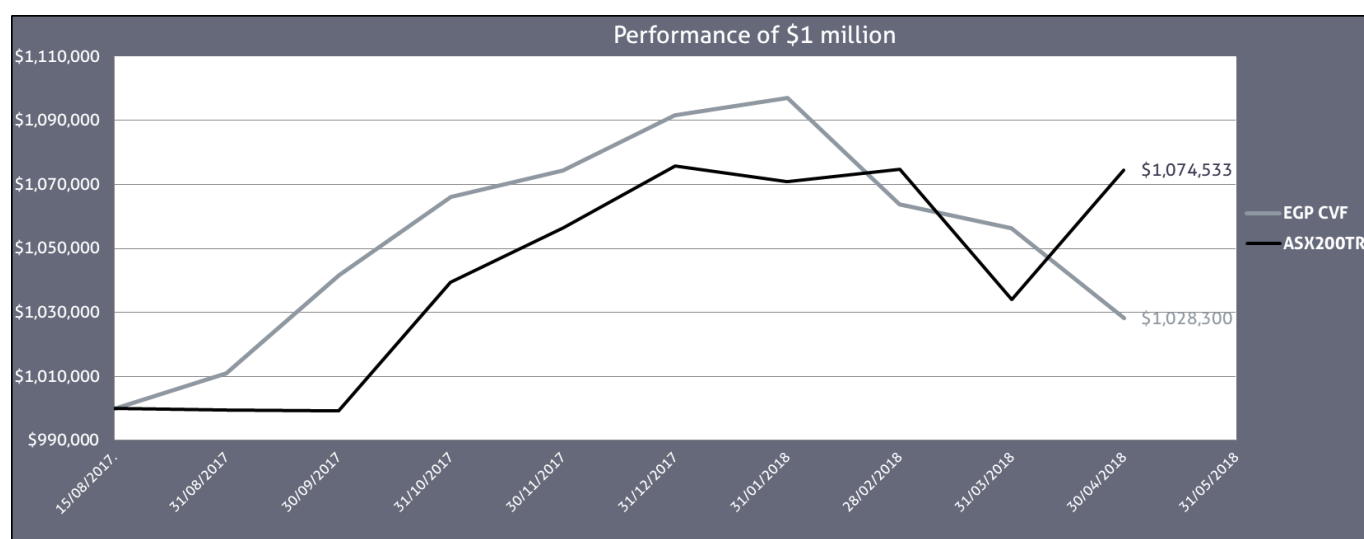
EGP Concentrated Value Fund – 30 April 2018

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%	3.0%	2.4%	0.8%	1.6%	0.5%	(3.0%)	(0.7%)	(2.7%)			2.83%

Benchmark	Jul	Aug*	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY18	N/A	(0.1%)	(0.0%)	4.0%	1.6%	1.8%	(0.5%)	0.4%	(3.8%)	3.9%			7.45%

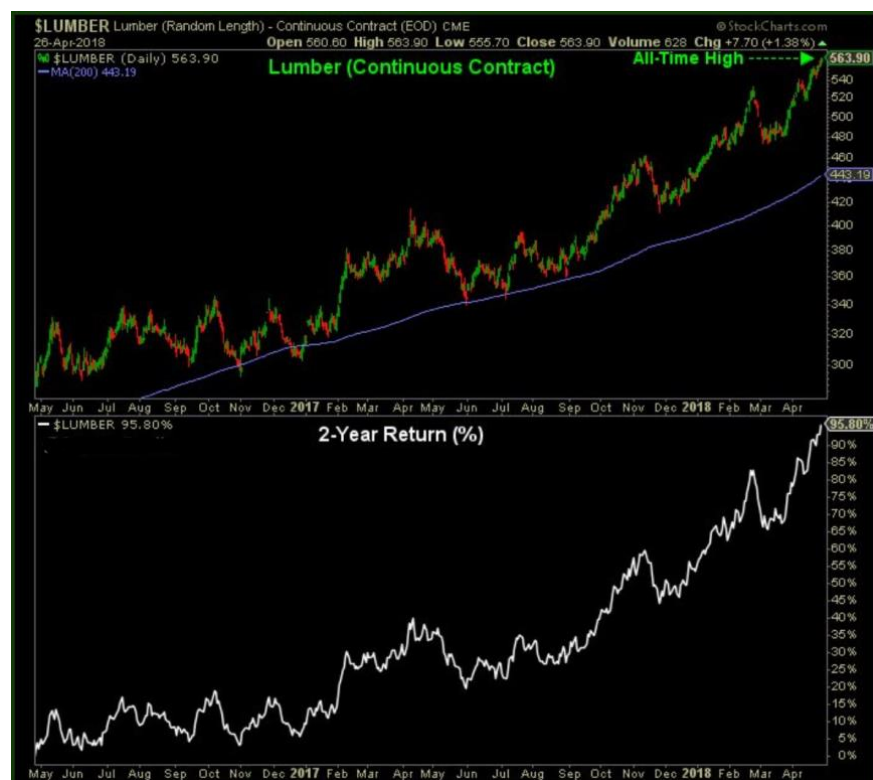
*August 2017 is the period from August 15th-31st for both the fund and the benchmark in the above tables.



The fund fell 2.7% in April. Our benchmark rose 3.9%. We’ve had a many holdings decline meaningfully from highs achieved in previous months. Some of the stocks we have discussed previously that are down from their highs include Global Construction Services (GCS.ASX) which hit highs of 95c but closed this month at 71c. Redbubble (RBL.ASX) peaked at \$2.07 but closed this month at \$1.555. Locality Planning (LPE.ASX) has traded as high as 3.3c and closed the month at 2.0c. Even our second largest holding Kangaroo Plantation (KPT.ASX) has traded as high as \$2.50 and traded today at \$2.16. Each of the stocks named there are in our view materially under-priced at current valuations.

As an example, KPT.ASX anticipates putting 500,000 green metric tonnes per annum across the ship rail once wharf approval is achieved (and the wharf is built). The current price of circa US\$170/BDMT roughly equates to AU\$227/BDMT and at an expected ratio of 55% BDMT/GMT, the price across the ship rail should be about AU\$124/GMT (ceteris paribus). The company has guided to operating costs of circa \$50/GMT. This leaves a margin of some \$37m after costs. Debt servicing, corporate and

replanting costs are unlikely to exceed \$7m annually, leaving circa \$30m of profit before tax to be serviced by what is presently about a \$110m equity valuation. The company also investigating options for further reducing production costs. The quarterly letters discuss some options being investigated; I estimate these initiatives could produce a \$7-10/GMT reduction in FOB cost.



The graph to the left demonstrates that North American lumber prices have nearly doubled over the past 2 years. Lumber is clearly an imperfect substitute for hardwood chips, but there is no spot price chart for hardwood chip. Given these dynamics, the 8.5% price increase achieved this year is quite modest given the looming hardwood chip supply constraints. On the plus side, around 20% of the standing timber KPT owns is pine logs and the graph does fairly directly affect their value and these trees are likely to be among the first harvested as KPT will most likely shift towards being an E. globulus chip specialist.

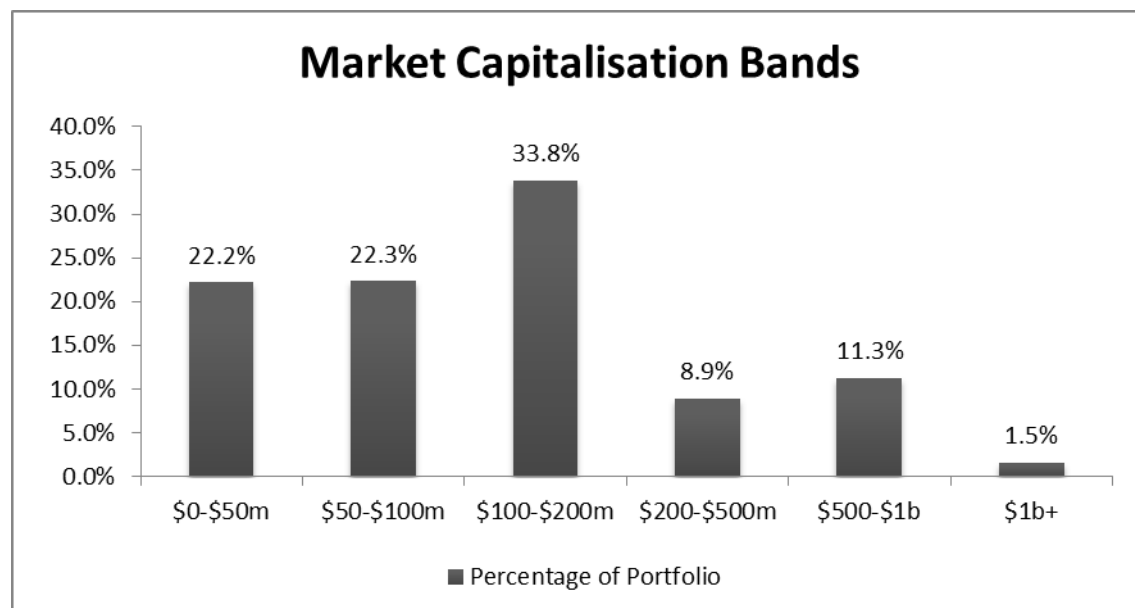
The operating leverage inherent in KPT is enormous. I estimate a 5% rise (assuming constant currency) in the BDMT price for woodchip generates a greater than 15% increase in the free cash the project generates.

Our top 10 holdings at 30 April 2018 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	United Overseas Australia (UOS.ASX)	11.3%	9.1%
2	Kangaroo Plantation (KPT.ASX)	10.0%	8.0%
3	Global Construction Services (GCS.ASX)	7.1%	5.7%
4	APN Regional Property (APR.NSX)	5.6%	4.5%
5	Blackwall Limited (BWF.ASX)	4.6%	3.6%
6	Locality Planning (LPE.ASX)	4.3%	3.5%
7	Shriro Limited (SHM.ASX)	3.4%	2.7%
8	Undisclosed	3.3%	2.7%
9	Undisclosed	3.3%	2.7%
10	Dicker Data (DDR.ASX)	3.0%	2.4%

Our largest 5 holdings now comprise 38.5% of our invested capital, our top 10 holdings are 55.7% and our top 15 represent 67.9%. Cash and cash equivalents are 20.3% of the portfolio.

The market capitalisation graph is set out below. This month, the median market capitalisation is \$114.2m:



As always, investors with any questions, suggestions, comments or investment ideas should feel free to drop me a line – Tony@egpcapital.com.au

DISCLAIMER:

EGP Capital Pty Ltd (ABN 32 145 120 681) (EGP Capital) is the holder of AFSL #499193. None of the information provided is, or should be considered to be, general or personal financial advice. The information provided is factual information only and is not intended to imply any recommendation or opinion about a financial product. The content has been prepared without taking into account your personal objectives, financial situations or needs. You should consider seeking your own independent financial advice before making any financial or investment decisions. The information provided in this presentation is believed to be accurate at the time of writing. None of EGP Capital, Fundhost or their related entities nor their respective officers and agents accepts responsibility for any inaccuracy in, or any actions taken in reliance upon, that information. The EGP Concentrated Value Fund (ARSN 619879631) (Fund) discussed in this report is offered via a Product Disclosure Statement (PDS) which contains all the details of the offer. The Fund PDS is issued by Fundhost Limited (AFSL 233045) as responsible entity for the Fund. Before making any decision to make or hold any investment in a Fund you should consider the PDS in full. The PDS will be made available by contacting EGP Capital (info@egpcapital.com.au). Investment returns are not guaranteed. Past performance is not an indicator of future performance.

Fund Features		Portfolio Analytics	
Min. initial investment	Closed	Sharpe Ratio ¹	0.62
Additional investments	\$5,000 (Minimum) \$200,000 (Maximum)	Sortino Ratio ¹	0.20
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP	7.26%
		Annualised S/D - Benchmark	8.28%
Distribution	Annual 30 th June	Largest Monthly Loss – EGP	-3.0%
		Largest Monthly Loss - Benchmark	-3.8%
Management fee	0%	Largest Drawdown – EGP	-6.3%
		Largest Drawdown - Benchmark	-3.8%
Performance fee (<\$50m)	20.5% (inc GST)	% Of Positive Months – EGP	66.7%
Performance fee (>\$50m)	15.375% (inc GST)	% Of Positive Months - Benchmark	55.6%
Auditor	Ernst & Young	Cumulative return ² – EGP	2.8%
		Cumulative return ² – Benchmark	7.5%
Custodian/PB	NAB Asset Services	1 year return ² – EGP	N/A
		1 year return – Benchmark	N/A
Responsible Entity	Fundhost Limited	3 year annualised return ² – EGP	N/A
		3 year annualised – Benchmark	N/A
Fund Size	\$56.4m	5 year annualised return ² – EGP	N/A
		5 year annualised – Benchmark	N/A
Mid-Price for EGPCVF Units	\$1.0283	Buy Price for EGPCVF Units	\$1.0298
Accumulated Franking per Unit	\$0.0055	Sell Price for EGPCVF Units	\$1.0267

¹ Sharpe and Sortino Ratios calculated using the Monthly Benchmark ASX200 Total Return Index

² 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	\$2.0268
EGP Fund No. 1 Pty Ltd Franking Credits	\$0.0000