



## EGP Concentrated Value Fund

Address: Suite 2, Level 16, 56 Pitt Street  
Sydney, NSW, 2000

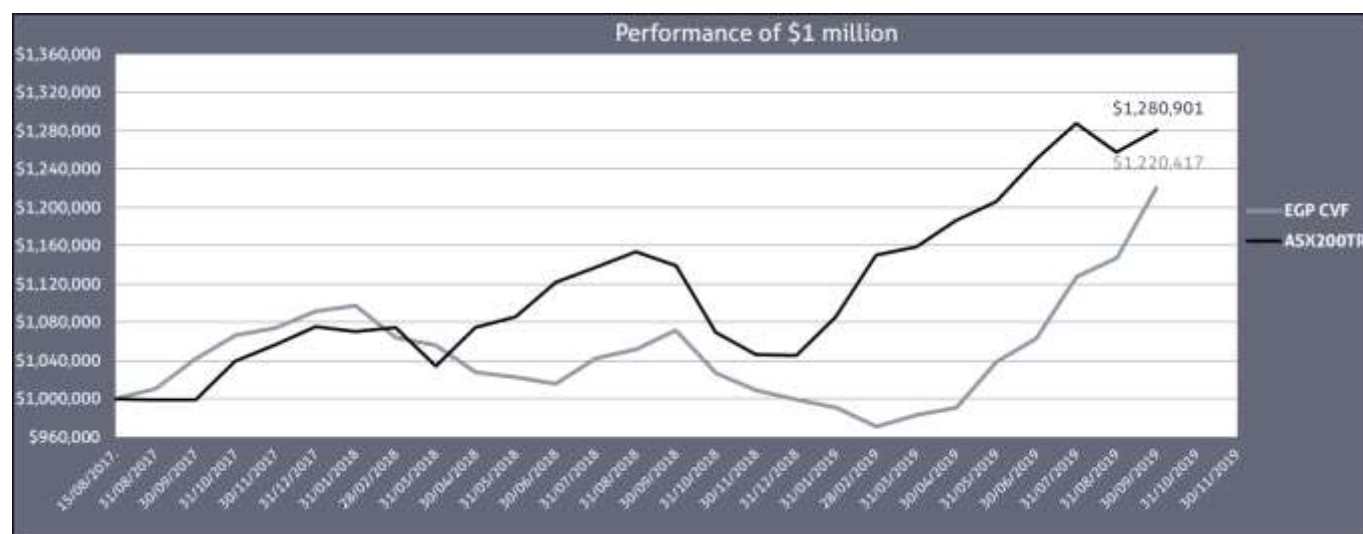
Mobile: 0418 278 298

# EGP Concentrated Value Fund – 30 September 2019

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.

|                | Jul  | Aug     | Sep    | Oct    | Nov    | Dec    | Jan    | Feb    | Mar    | Apr    | May    | Jun    | FYTD   |
|----------------|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| EGPCVF FY18    | N/A  | 1.1%*   | 3.0%   | 2.4%   | 0.8%   | 1.6%   | 0.5%   | (3.0%) | (0.7%) | (2.7%) | (0.6%) | (0.7%) | 1.58%  |
| Benchmark FY18 | N/A  | (0.1%)* | (0.0%) | 4.0%   | 1.6%   | 1.8%   | (0.5%) | 0.4%   | (3.8%) | 3.9%   | 1.1%   | 3.3%   | 12.18% |
| EGPCVF FY19    | 2.6% | 1.0%    | 1.8%   | (4.2%) | (1.7%) | (1.0%) | (0.9%) | (1.9%) | 1.2%   | 0.9%   | 4.8%   | 2.3%   | 4.63%  |
| Benchmark FY19 | 1.4% | 1.4%    | (1.3%) | (6.1%) | (2.2%) | (0.1%) | 3.9%   | 6.0%   | 0.7%   | 2.4%   | 1.7%   | 3.7%   | 11.55% |
| EGPCVF FY20    | 6.1% | 1.8%    | 6.4%   |        |        |        |        |        |        |        |        |        | 14.83% |
| Benchmark FY20 | 2.9% | (2.4%)  | 1.8%   |        |        |        |        |        |        |        |        |        | 2.37%  |

\*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.



### The Month That Was:-

The fund rose by 6.4% in September. Our benchmark rose by 1.8%.

September was both our best absolute return since EGPCVF began and our best month for relative return. At the end of April 2019, EGPCVF was almost 20% behind our benchmark. That gap is about 5% now. We are naturally pleased with this, but point it out not for any other reason than to remind our investor group how remarkably uncorrelated our portfolio is to our benchmark. We benchmark against the ASX200TR because of its quality, not because we are in anyway correlated to that index.

### **Post Results Shuffling:-**

We have sold off a few of our smaller holdings this month (and in the past couple of months) in an attempt to concentrate our holdings more. We exited a poor investment in Oliver's Real Foods, we put just over 1% of the portfolio and it cost the fund almost 0.8% at the sale price. This was slightly more than offset by the 0.3% of the fund we put into Splitit pre-IPO convertible notes. Splitit was the sort of thing we typically do in the "long-tail" of the portfolio, where we think there's a reasonable chance of fairly spectacular returns. More than anything, this was a bet that the madness that has taken hold in the "Buy Now Pay Later" space would rub off on this business. We exited the last of this position this month. We made just under 4.2x our original investment, selling for prices as low as 33c and as high as \$1.95 (to give a sense of how volatile the trading in the business has been since it listed).

We currently have 5 unlisted or pre-IPO holdings in the portfolio, with a sixth joining early in October. The largest of these is Tellus Holdings, which we have discussed previously and which continues to execute on the enormous market opportunity ahead of them.

We have almost finished selling our Bidenergy holding this month too. The corporate intrigue involved there is probably going to prove a distraction in coming months and possibly years. The position is now so small as to be unlikely to add meaningfully to the funds results in any case. The opportunity ahead of BID is still very large if they execute, but we lack the conviction to add to the position, so we will instead exit. We made 5.7x our original investment on BID, and had between 0.4-0.5% of the fund at cost invested, so it made a worthwhile contribution to our results.

There were a number of big, positive contributors to the strong result this month, including Site Group Holdings which we wrote about last month. Mostly the rises were not on meaningful news. One long-awaited contributor was Kangaroo Island Plantation Timber, which announced a modification to the proposed wharf. The continued commitment to acting the good faith interests of all stakeholders saw the share price rise about 20% in September.

### **Key Portfolio Information:-**

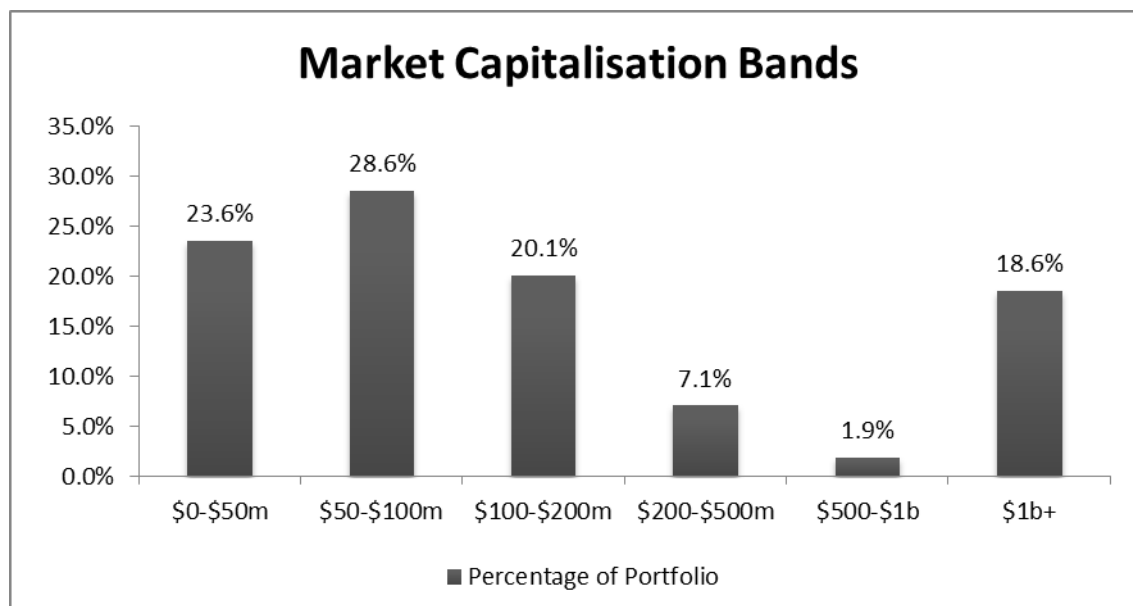
Our top 10 holdings at 30 September 2019 were:

| Rank | Holding                             | Percentage Equity Weighting | Percentage Portfolio Weighting |
|------|-------------------------------------|-----------------------------|--------------------------------|
| 1    | United Overseas Australia (UOS.ASX) | 13.0%                       | 10.8%                          |
| 2    | Site Group International (SIT.ASX)  | 12.9%                       | 10.6%                          |
| 3    | Kangaroo Plantation (KPT.ASX)       | 8.7%                        | 7.2%                           |
| 4    | Dicker Data (DDR.ASX)               | 5.6%                        | 4.6%                           |
| 5    | LawFinance (LAW.ASX)                | 4.6%                        | 3.8%                           |
| 6    | Locality Planning (LPE.ASX)         | 3.9%                        | 3.2%                           |
| 7    | Blackwall Limited (BWF.ASX)         | 3.4%                        | 2.8%                           |
| 8    | SRG Global (SRG.ASX)                | 3.3%                        | 2.7%                           |
| 9    | SDI Limited (SDI.ASX)               | 3.1%                        | 2.5%                           |
| 10   | Konekt (KKT.ASX)                    | 2.7%                        | 2.2%                           |

Our largest 5 holdings now comprise 44.9% of our invested capital, our top 10 holdings are 61.2% and our top 15 represent 73.0%. Cash and cash equivalents are 17.3% of the portfolio.

The market capitalisation graph is set out overleaf. This month, the median market capitalisation is \$95.7m.

## Market Capitalisation Bands



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

| Fund Features                 |  | Portfolio Analytics                         |          |
|-------------------------------|--|---|----------|
| Min. Initial investment       | \$50,000                                 | Sharpe Ratio <sup>1</sup>                   | 0.84     |
| Max. Initial investment       | \$2,000,000                              |   |          |
| Additional investments        | \$5,000 (Minimum)<br>\$200,000 (Maximum) | Sortino Ratio <sup>1</sup>                  | 0.64     |
| Applications/redemptions      | Monthly                                  | Annualised Standard Dev. – EGP              | 8.98%    |
|                               |  | Annualised S/D - Benchmark                  | 9.20%    |
| Distribution                  | Annual 30 <sup>th</sup> June             | Largest Monthly Loss – EGP                  | -4.2%    |
|                               |  | Largest Monthly Loss - Benchmark            | -6.1%    |
| Management fee                | 0%                                       | Largest Drawdown – EGP                      | -9.4%    |
|                               |  | Largest Drawdown - Benchmark                | -9.4%    |
| Performance fee (<\$50m)      | 20.5% (inc GST)                          | % Of Positive Months – EGP                  | 61.5%    |
| Performance fee (>\$50m)      | 15.375% (inc GST)                        | % Of Positive Months - Benchmark            | 65.4%    |
| Auditor                       | Ernst & Young                            | Cumulative return <sup>2</sup> – EGP        | 22.0%    |
|                               |  | Cumulative return <sup>2</sup> – Benchmark  | 28.1%    |
| Custodian/PB                  | NAB Asset Services                       | 1 year return <sup>2</sup> – EGP            | 13.9%    |
|                               |  | 1 year return – Benchmark                   | 12.5%    |
| Responsible Entity            | Fundhost Limited                         | 3 year annualised return <sup>2</sup> – EGP | N/A      |
|                               |  | 3 year annualised – Benchmark               | N/A      |
| Fund Size                     | \$68.5m                                  | 5 year annualised return <sup>2</sup> – EGP | N/A      |
|                               |  | 5 year annualised – Benchmark               | N/A      |
| Mid-Price for EGPCVF Units    | \$1.1095                                 | Buy Price for EGPCVF Units                  | \$1.1112 |
| Accumulated Franking per Unit | \$0.0096                                 | Sell Price for EGPCVF Units                 | \$1.1079 |

<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.

### 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](mailto:info@egpcapital.com.au)). Investment returns are not guaranteed. Past performance is not an indicator of future performance.