



EGP Concentrated Value Fund

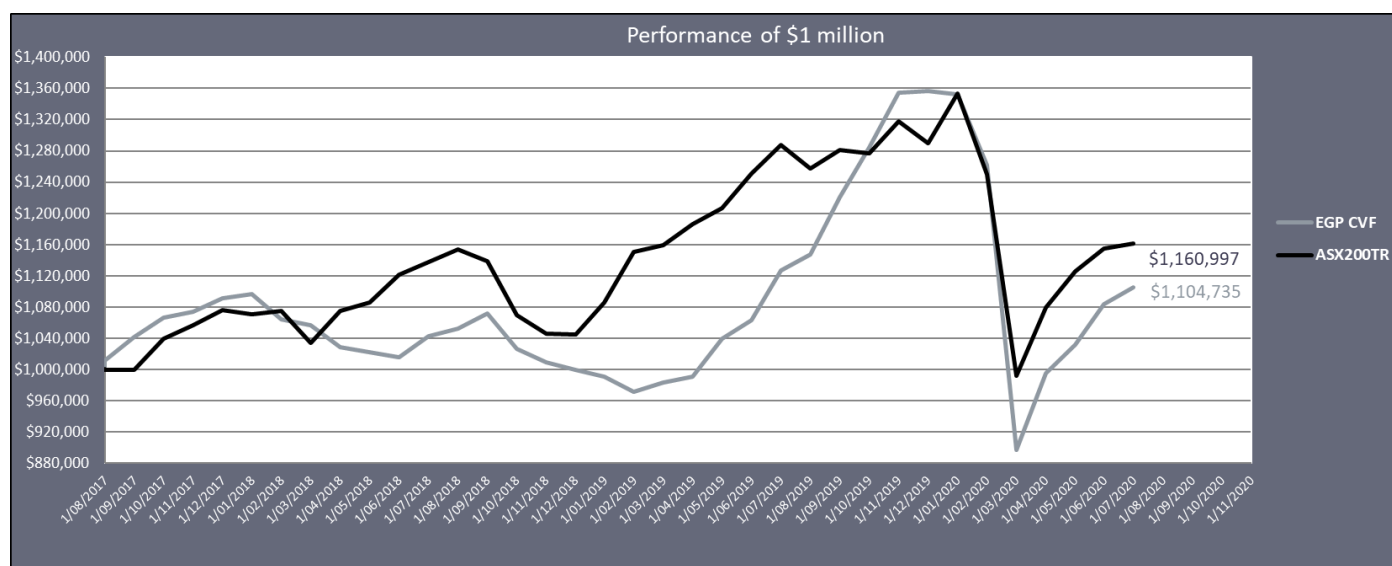
Address: Suite 2, Level 16, 56 Pitt Street
 Sydney, NSW, 2000
 Mobile: 0418 278 298

EGP Concentrated Value Fund – 31 July 2020

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%	5.2%	5.5%	0.1%	(0.3%)	(6.7%)	(28.9%)	11.0%	3.6%	5.1%	1.99%
Benchmark FY20	2.9%	(2.4%)	1.8%	(0.4%)	3.3%	(2.2%)	5.0%	(7.7%)	(20.7%)	8.8%	4.4%	2.6%	(7.68%)
EGPCVF FY21	1.9%												1.92%
Benchmark FY20	0.5%												0.50%

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



The Month That Was: -

The fund rose 1.9% in July. Our benchmark rose 0.5%.

Relatively few of our holdings are required to issue 4C cashflow statements, those that did were generally at or above expectations. The one that did fall short of market expectations was our undisclosed third largest holding, which enabled us to continue accumulating at prices we think will prove to be incredibly attractive. As mentioned in the accompanying email, we also substantially added to another position which is our undisclosed tenth largest position.

This business made what we believe will prove to be a transformative acquisition, despite this the market was largely nonplussed and we have been allowed to meaningfully add to our holding with only limited buying competition.

There were important developments at two of our unlisted holdings that are likely to require us to mark up their prices in coming months. Firstly, the Blackwall Group announced the Blackwall Property Trust (BWR.ASX) will be acquiring the WOTSO co-working business. The exact terms of the deal will need to be confirmed by independent experts, but the indicative pricing from the announcement would seem to be at a higher value than the pricing we are carrying our WOTSO stake in the funds stated NAV. The WOTSO transaction is scheduled to happen in early 2021, and until we can confirm the pricing at which the transaction will be completed, we will carry the holding at our June 30th pricing for conservatism sake. If we have correctly interpreted the pricing implicit in the announcement made on 24 July, we estimate the uplift to NAV will be ~0.75%.

Secondly, Tellus Holdings will complete the mining of the first geological repository on their Sandy Ridge site and commence removal of hazardous waste from the environment this month. The below video was released to show the progress:



We wrote extensively of our view of the undervaluation of Tellus Holdings in the June newsletter. According to the [investor page of the Tellus website](#), the shares have changed hands in July at the price of \$2. We are carrying the holding at the June traded price of \$1.75, if we can confirm a sufficient volume of stock was traded at the \$2 price to warrant increasing the carrying value to \$2, this would add ~0.33% to the NAV.

As to our other holdings, we highlighted SRG in the June report as being severely mispriced, we added meaningfully to our holdings from April to June, the price rose 33% in July as they began to announce new contract wins. We are expecting positive reporting from several other holdings. Dicker Data held their AGM in July and further upgraded their first half earnings. The shift into a new warehouse (80% larger than the current facility) at Kurnell in early 2021 will unleash hitherto latent potential in the DDR business as space constraints have been a handbrake on their performance for at least 18 months (not that you'd know it).

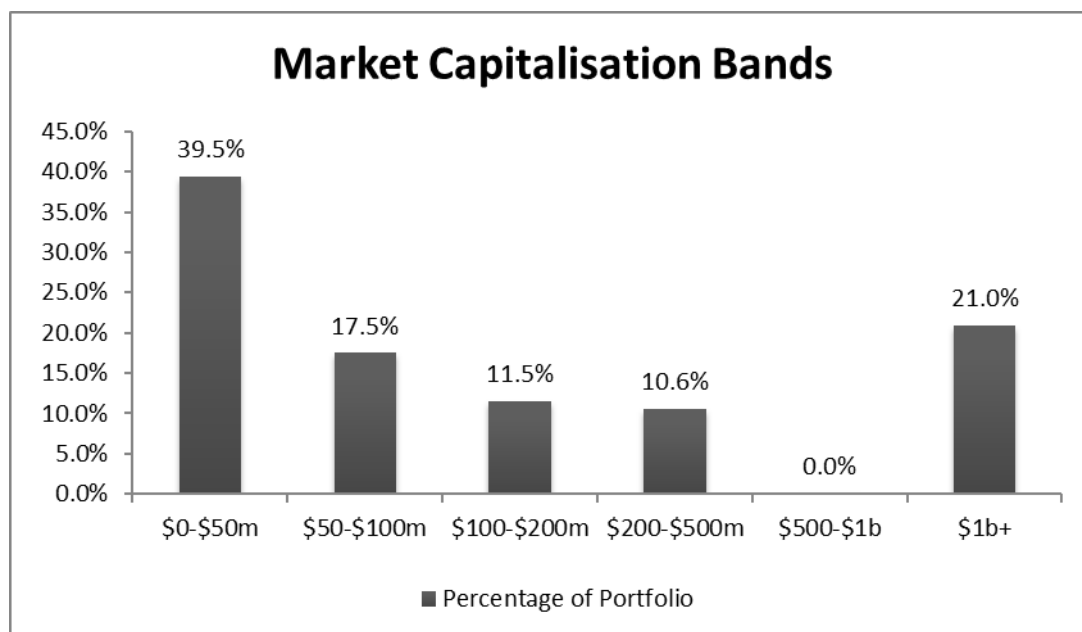
The massive shift to online retailing triggered by the pandemic will continue to see the share price of Redbubble rise in coming months in our estimation too as investors gradually realise this was a permanent structural shift. If the current level of revenue is sustained/grown (as we expect it will be) through FY2021, we believe RBL stock will trade at much higher levels. Even if revenue growth moderates, RBL's pricing compared to Australian and global peers should see the stock trade higher.

Key Portfolio Information: -

Our top 10 holdings at 31 July 2020 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	United Overseas Australia (UOS.ASX)	11.5%	10.5%
2	Smartpay (SMP.ASX)	7.6%	7.0%
3	Undisclosed	5.0%	4.6%
4	Dicker Data (DDR.ASX)	5.0%	4.6%
5	LawFinance (LAW.ASX)	4.9%	4.5%
6	Site Group International (SIT.ASX)	4.8%	4.4%
7	Redbubble (RBL.ASX)	4.5%	4.1%
8	WOTSO	3.1%	2.8%
9	PPK Group (PPK.ASX)	3.0%	2.7%
10	Undisclosed	2.8%	2.6%

Our largest 5 holdings now comprise 33.9% of our invested capital, our top 10 holdings are 52.1% and our top 15 represent 65.1%. Cash and cash equivalents are 8.8% of the portfolio. The median market capitalisation is \$83.2m. Weighted average market capitalisation is \$287m.



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

Fund Features		Portfolio Analytics	
Min. initial investment	\$50,000	Sharpe Ratio ¹	-0.25
Additional investments	\$5,000 (Minimum) \$200,000 (Maximum)	Sortino Ratio ¹	0.59
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	20.95% 16.77%
Distribution	Annual 30 th June	Largest Monthly Loss – EGP Largest Monthly Loss - Benchmark	-28.9% -20.7%
Management fee	0%	Largest Drawdown – EGP Largest Drawdown - Benchmark	-33.9% -26.7%
Performance fee (<\$50m)	20.5% (inc GST)	% Of Positive Months – EGP	63.9%
Performance fee (>\$50m)	15.375% (inc GST)	% Of Positive Months - Benchmark	63.9%
Auditor	Ernst & Young	Cumulative return ² – EGP Cumulative return ² – Benchmark	10.5% 16.1%
Custodian/PB	NAB Asset Services	1-year return ² – EGP 1-year return – Benchmark	(2.0%) (9.6%)
Responsible Entity	Fundhost Limited	3-year annualised return ² – EGP 3-year annualised – Benchmark	N/A N/A
Fund Size	\$70m	5-year annualised return ² – EGP 5-year annualised – Benchmark	N/A N/A
Mid-Price for EGPCVF Units	\$0.9691	Buy Price for EGPCVF Units	\$0.9705
Accumulated Franking per Unit	\$0.0019	Sell Price for EGPCVF Units	\$0.9676

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.

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.