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Erik A. (Tony) Hansen – Investment Manager 30 June 2022

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 intention was that over time, relatively modest advantages over the benchmark would accumulate to a substantially superior overall performance (it has been a tough recent period in this regard):

Since Inception Annualised Comparison Tables:-

Financial Year	EGP Concentrated Value Fund (after fees & costs)	Benchmark ASX200TR	Outperformance/ (Underperformance)
2018*	**1.58%**	**12.18%**	**(10.60%)**
2019	**4.63%**	**11.55%**	**(6.92%)**
2020	**1.99%**	**(7.68%)**	**9.66%**
2021	**25.50%**	**27.80%**	**(2.30%)**
2022	**(29.96%)**	**(6.47%)**	**(23.49%)**
Cumulative	**(4.71%)[1]**	**38.08% [1]**	**(42.79%)**
Annualised	**(0.99%)**	**6.84%**	**(7.83%)**

* 2018 is the 10.5 month period from 15 August 2017 (EGPCVF inception) to 30 June 2018
1 Assumes reinvestment of dividends/distributions

The General Market: -

The ***S&P/ASX 200 Annual Total Return Index*** (hereafter referred to as '**the benchmark**') was at 82,932.29 points before the opening of trading on 01 July 2021. Including reinvestment of dividends earned, the benchmark finished FY2022 at 77,568.63 points. The average Australian investing experience in the stock market during FY2022 was therefore a loss of (6.47%).

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 most 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 $2 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.

We have explained in considerable detail in previous monthly and annual reports why we selected our benchmark rather than an alternative (the ASX200 is the highest quality Australian equity

index). In our view equities focused fund managers using lesser benchmarks are usually setting themselves up to earn larger performance fees than they might deserve.

Since the original EGP fund inception in April 2011 the combined EGP funds have generated an annualised return of 8.34% per annum. By way of comparison, our benchmark has delivered 7.45% p.a., the Small Ordinaries (Total Return) has delivered 3.06% p.a. (6424.92 – 8391.65) and the Emerging Companies Index (total return) has delivered 1.60% p.a. (2341.49 – 2799.44). The choice of one of these alternatives to the ASX200 would clearly have cost our investors in the form of considerably higher accrued performance fees, but given our style of investment (fund median market capitalisation is smaller than the Emerging Companies Index), these benchmarks more accurately capture in the short term the general performance of the universe we invest in.

Our Experience: -

EGP Concentrated Value Fund (hereafter referred to as '**EGPCVF**' or '**the fund**') commenced 01 July 2021 at $1.1133 per unit after payment of the FY2021 distribution. EGPCVF closed FY2022 at $0.7798.

This resulted in a loss of (29.96%) after allowing for all expenses. Once again, no fees were earned by the fund manager and we now trail our benchmark by 42.79%, all of which must be recouped before the manager is again able to earn fees.

The final paragraph in the section above could be interpreted as making excuses. That is not the intention, EGPCVF is effectively benchmark unaware, choosing the ASX200TR only because it is the Australian gold standard equities benchmark. We have included the comparison against the small company indices that more closely reflect our investment style for a few years now.

Because of our open mandate, had we possessed the foresight, we could have chosen to go to 100% cash in July last year and handsomely outperformed the benchmark. With yet more perfect foresight, we could have instead shifted into resources in FY2022 (save for my oft stated view that the resource sector is among the most difficult sectors to invest in successfully). The ASX200 Resources index was up 3.30% in FY2022, and many of the better performing resource companies delivered multiples of their starting share prices through FY2022. When assessing EGPCVF in FY2022, consider that the Small Ordinaries index was down (19.52%) including dividends, which is relevant when assessing the performance of a fund invested exclusively in small companies. The All-Technology index shed (35.42%) in FY2023. I cannot recall a year with a wider dispersion of sectoral outcomes, save perhaps for financials underperforming through the GFC.

The EGPVCF uses the same investment strategy that we have had in place since our original fund, operating since 2011. The table on the front page sets out the performance history of EGPCVF which was created from the original fund on 15 August 2017. A combined history of both funds EGP has operated since 2011 is set out in **Appendix 1** and should be considered for completeness when assessing performance.

The final nine months of FY2022 were unequivocally the most difficult of my life to date. That difficulty presented exclusively in the professional realm, the incredible support I have received from friends, family and fellow unitholders has been reassuring, but does not dim the disappointment I have with delivering such poor results these past few years. I have been sent the quote by Horace "***Many shall be restored that are now fallen, and many shall fall that are now in honour.***" in multiple correspondences and hope that the sentiment proves true in coming years.

The last 9 months of FY2022 were made harder by the fact that in October 2021, the fund for a period of a few days was ahead of our benchmark for the first time in some time, and handsomely outperforming our index for the financial year. Our largest holdings were all executing well on

their strategies and the market was awarding them pricing that (especially in hindsight) placed a high valuation on these prospects.

Since that point in October, despite generally continuing good fundamental performance from most of our major holdings, there has been a massive reversal in the valuation the market ascribes to their prospects.

I have stated in our annual report each year my expectation that roughly one in six years we will deliver a negative outcome. FY2022 was our 11th full year and was in fact the first time we have ever delivered a negative result for our investors. It is the third negative financial year for our benchmark in that same stretch. In my mind, a negative year for the fund was most likely to involve a double-digit reversal for the benchmark and a single-digit reversal for the fund. We had generally delivered some of our best outperformance when the market turned ugly, which is part of the reason FY2022 has been such a difficult one to traverse.

I put considerable effort into writing detailed monthly reports, particularly when we are underperforming our benchmark. These reports seek to help our investors to understand what we own and why, with the hope that it will help them to better assess if the exposures we have at EGPCVF are the sort of investments they wish to hold.

The risk/reward setup in the fund feels better to me at present than at any time since the fund was established in 2011. The takeover bids two of our holdings have experienced in the past two months seem to confirm this sense of deep undervaluation in the portfolio.

MyDeal (MYD.ASX) received a takeover offer in May for $1.05 per share when the shares had been trading between 58-64 cents each over the previous month. PayGroup (PYG.ASX) received a takeover offer in June for $1.00 per share when the shares had spent the weeks leading up to the offer trading at 33-37 cent per share.

In both cases, despite the significant takeover premiums offered, we think the bidders should do well out of the purchases, with the takeover offer valuations not meaningfully different to where we thought the businesses could be valued on market in the next year or so if they continued to execute on their strategies. As to why I think it gives credence to my sense the greater portfolio is undervalued, in my assessment, the two recipients of the takeover bids would not have made my estimate of the five most undervalued businesses in our portfolio, otherwise they would have been sized larger than 10th and 14th in the portfolio before the respective bids came.

The annual letter has not generally been used as a forum for discussing the valuations of our holdings, but I will outline some thoughts on valuation for our largest two investments, to try to give a feel for the quantum of the undervaluation that exists in the portfolio.

United Overseas Australia (UOS) has been for many years either our largest, or among our top few holdings. I have written repeatedly about CS and Jim Kong and the incredible job they have done turning a few million dollars from a 1987 IPO into a company that today has more than $1.6 billion of net tangible assets (NTA) and has returned hundreds of millions to shareholders in the form of capital returns and dividends over the past ~35 years. Despite this unrivalled record of financial success, the shares closed June 2022 valued at 53c each (down 32% in FY2022). This defies belief given each share owns more than $1.08 of conservatively accounted tangible assets.

It defies belief even more when one considers the intrinsic value of the company clearly meaningfully higher than the stated NTA for three easy to identify reasons. Firstly, there are material land assets held at cost within that NTA, some that are over 15 years old and worth at least tens of times their carrying value. Secondly, within the NTA, there are businesses providing asset management, security, janitorial, health, hospitality, and other services whose value is clearly understated by using only NTA to derive valuation. Finally, the NTA is demonstrably

conservative when one considers that every single time the business has disposed of an asset of material value, the disposal has come with a gain on sale.

UOS has only traded at or above NTA a few times in its 35-year history, this can be counted as the only notable failing of the board and management. Warren Buffett has stated that management has two key roles when it comes to intrinsic valuation. The first is to ensure that investors have all the information necessary to derive intrinsic value with reasonable accuracy. This is relatively simple in the case of UOS. As I point out above, the NTA acts as a pretty good “floor” in this regard. The second and more important duty for management is to act when the market valuation drifts too far from the intrinsic value. Buffett holds up Henry Singleton as the gold standard in this regard. Singleton repurchased more than 90% of Teledyne stock when it was underpriced through the 1970’s bear market, having issued swathes of stock to acquire businesses when it was at higher valuations. Buffett himself has occasionally stated publicly his view that Berkshire Hathaway stock was over or undervalued, and the handful of times he has issued Berkshire stock were clear statements the stock was expensive. The flexing up and down of the aggressiveness of Berkshire’s buyback likewise gives a hint as to how cheap he thinks the stock is at any given time.

Despite the incredible operating record UOS have demonstrated over the course of 35 years since listing, the divergence between intrinsic valuation and the price has become so wide of late that if the Board do not act soon, it will be tantamount to a breach of fiduciary duty. The solution is a simple one I have set out to all Board members either at AGM’s in years past, or in direct conversations. The dividend should be cancelled in any year where the share price is trading below the NTA. Instead, the total amount of cash that the company intended to pay out as dividends should instead be applied to an equal access off market buyback at the midpoint between annual volume weighted average price (VWAP) and NTA.

If UOS were to apply only $5m annually to such a program (not difficult for a company with nearly $700m in cash on their balance sheet), they would achieve three important things. Firstly, they almost double the annual liquidity opportunity available to UOS shareholders (average annual trading volume in UOS shares has been ~$6.4m over the past 5 years). Secondly, to shareholders that choose not to participate, instead of a tax liability from an unfranked dividend they would in many cases prefer not to receive, the company would extinguish shares from the register at a discount, leaving continuing shareholders owning a larger portion of a company with a higher NTA per share. Finally, once such a program had been conducted a few times, the share price would naturally trade closer to the NTA, meaning the Board had effectively delivered on one of their key fiduciary duties of not allowing the share price and the company value to become wildly disconnected.

Our second largest holding is SmartPay (SMP). The market valuation for SMP is in some ways more puzzling than UOS. UOS is a property developer with most of their assets in Malaysia and Vietnam, 35 years of success should eliminate country concerns, but one can forgive investors for some geographical scepticism in their valuation for the business. SMP has operations in Australia and New Zealand, operates a highly predictable, cash generative business and had deployed less than ten thousand terminals into a >1m terminal market in Australia. Revenues since they launched their acquiring product in Australia have looked like this:

- FY2019 – NZ$2.5m
- FY2020 – NZ$9.5m
- FY2021 – NZ$17.1m &
- FY2022 – NZ$31.2m

When one considers the revenue increases above, particularly in the last two years were impacted by a variety of COVID lockdowns and other operational impediments, the thought of what this business could do unimpeded is very exciting.

In FY2022, the second half Australian acquiring revenue was NZ$18.629m meaning without further growth in terminals in FY2023 (i.e., annualising second half revenues), they have already secured almost 20% acquiring revenue growth just based on run-rate (though admittedly March half is stronger). Likelier though is that the $6.05m increase in acquiring revenues in H2FY22 should be a rough baseline of what can be achieved in each future half year. The result of that revenue increase was a $3.75m increase in EBITDA on the half (at a very attractive 62% incremental EBITDA contribution), or a NZ$7.5m annualised rate of growth. I believe they could maintain this EBITDA growth rate if they wanted to, extrapolation generates NZ$18.6m of FY2023 EBITDA (+~70%).

Instead, SMP are likely to hurl piles of capital at trying to grow faster still, Management have flagged an intention to continue to be aggressive in sales and marketing which would impact EBITDA margins in the near term to the benefit of overall revenue growth in the medium term, but 10% outperformance of consensus, or ~NZ$16.5m still seems very achievable.

Consensus estimates are for NZ$66m of revenue in FY2023 and NZ$15.2m of EBITDA. I anticipate analysts covering SMP will need to be upgrading their estimates with every passing quarter. It would require incredible aggression in sales and marketing, or unexpected economic dislocation in FY2023 for SMP not to deliver at least 10% outperformance of consensus EBITDA expectations.

As to valuation, when Verifone bid for SMP's New Zealand business in early 2020, it was at 4x revenue. The Australian business is a meaningfully superior business with better margins and a much larger addressable market, but if that valuation was used as a base case, it would imply a NZ$264m enterprise valuation for SMP (on the consensus FY2023 revenue). Given the company is net cash and should generate at least NZ$10m of cash over FY2023, such a valuation should it be achieved by the end of FY2023 would translate into about an AU$1.065 share price.

If a takeover offer came at that valuation, despite the >70% premium it would represent to the current share price, we would protest vociferously to see it rejected because the earnings trajectory being sold would look as follows:

- FY2020 – NZ$7.4m
- FY2021 – NZ$7.6m (+2.7%)
- FY2022 – NZ$11.1m (+46.1%)
- FY2023 – at least NZ$16.5m (>48%)

Selling a business that is clearly humming and has captured only ~1% of the potential market at the point in time when earnings are accelerating like that is how one misses out on the opportunity to own multi-baggers. Businesses with a long runway and consecutive years of >40% EBITDA growth do not generally change hands at takeover for less than 15x EV/EBITDA.

The opening bid in the takeover for PYG made this month was conducted at 16.3x forward EBITDA. These businesses are at similar point in their corporate developments (SMP slightly more advanced in fact) where the earnings are just beginning to show a significant upward flex. If we were to instead use that as a proxy for the fair pricing of an SMP takeover bid, the implied share price would be closer to a 100% premium to June's average price. For mine, although I cannot recall a takeover launched at a 100% premium ever failing, it still would not be a certainty we would just accept that offer either, because if I am correct about SMP's (accelerating) ability to add NZ$5.5m-NZ$7.5m in EBITDA each year, then the offer would imply an FY2024 valuation (assuming the company retains all of the very significant cashflows it is now producing) that would

barely be a double digit EV/EBITDA multiple. Such a low price seems unlikely in the absence of an execution stumble.

The threat to SMP maintaining the earnings trajectory the last result displayed is not from a recession or other macroeconomic event in our estimation, the likeliest crimp on continued EBITDA margin expansion is aggressive expenditure on sales and marketing, which is exactly what rational owners would want their executive to do. The sole reason I can produce for SMP trading at this incredibly low valuation despite obvious evidence the business model is working spectacularly is that payments are a very fast-moving segment and there remains a non-zero possibility the way payments are conducted is materially differently moving forward and somehow SMP miss the transition. I am comforted by how well they have adapted to date, being a market leader in adding the many new payment methods of the past few years to their capabilities.

The point of setting out these valuation outlines is not to create the expectation that our largest holdings are priced to double or anything like it in FY2023, but to ensure fellow unitholders understand that aside from a few acknowledged mistakes we have discussed at length over the past couple of years, I view severe dislocations between price and value as the primary driver of the poor results we have delivered. There are a couple of prospective exceptions to that. The pricing of Cettire, Redbubble, Li-S Energy and PPK Holdings for example indicate investors are highly sceptical those businesses have viable business models that will ultimately deliver value. I remain confident they can prove their bona fides and expect that this financial year will demonstrate one way or the other whether that view is correct.

A Strategic Review?: -

My favourite investor mentor has for many years referred to the stock market as “TGH”. This stands for “The Great Humbler”. Everybody he says at some point, no matter how talented their analyses, or how well thought out their investment strategy will have periods, often long periods where the way they invest is at odds with the way the market behaves and will lead to underperformance and soul searching as to whether what they do needs to change.

It might sound like hubris, but I had never truly contemplated the prospect of underperforming the market by a double-digit margin, let alone in a market that itself returned a negative result. I have been investing for more than 20 years and have always judiciously used benchmarking to ensure performance was measured against a relevant metric. Before the fund was launched in 2011, I had never had a year of underperformance, though to be fair, the sums managed were very small. Even in calendar 2008, the worst year of the GFC, when the ASX200 declined more than 38%, our family result was strong outperformance, albeit with a negative result.

When you are a shareholder in a company and hear the words “Strategic Review”, it will send a shiver down your spine. Often meaning divestments of businesses and major management changes and the like. But the fact is that once completed, such reviews often leave behind a significantly changed and often much better operation. Given how far behind benchmark the fund is, I thought it would make sense to set out what we think are the logical options for the pathway forward.

I have come to the view there are four obvious ways forward for the fund. Option one is that we continue as is. There have been many investors asking to re-open the fund and if continuing with the fund in its current form is what we end up doing, I will reopen the fund. The trigger for commencing the reopening will be when we have recovered at least one quarter of the peak shortfall against the benchmark. The first month when we are in that position, I will have our administrator commence re-issuing the Product Disclosure Statement (PDS). Because of the significant administrative impost from the ever-increasing rules ASIC impose on such matters,

including creating a Target Market Determination (TMD), it will likely take at least two months from the time we commence the PDS reissuance to the PDS becoming available. This is my preferred option, and I hope the preference of fellow unitholders. The enormous trust placed in me by friends, family, and even strangers I am determined to repay with the type of performance we were all expecting from EGPCVF. I am hopeful it will become obvious over the remainder of 2022 that this is the best pathway forward.

There would be one minor difference in the application process once the fund re-opens. I would require any new prospective investor to participate in a pre-admission interview by telephone or videoconference. It is critical to the success of the fund that we maintain the highest quality register possible, so I would need to talk with new investors about what attracts them to EGPCVF and get an understanding of whether they have the stomach for the type of investing we undertake.

We need long-term focused investors who are unlikely to become skittish when performance diverges meaningfully from our benchmark, for to achieve different results, we need to do things meaningfully different to the broader market and this will sometimes result in periods such as the one we are currently in. To that end, previous investors who have left the fund entirely are unlikely to be considered a desirable unitholder to add to the fund unless they have a strong explanation for what saw them redeem in the first place.

If we were to decide to activate any of options two, three and four set out below, the likeliest time we would enact these changes would be around the end of FY2023. We should be able to tell within the first 6 or 8 months of FY2023 whether we have made sufficiently large progress towards closing the performance gap and reopening the fund, or not. If, by the early part of calendar 2023, the fund has not meaningfully closed the current performance gap, we would spend some time in the early part of that year investigating the viability of the other three options considered below before putting it to a unitholder vote and acting on the outcome.

Option two would be to find a new manager to take over the portfolio management of EGPCVF from me. Because of the significant breadth of young fund management talent located in the process of developing the Zero Fee Collective/Cipher Fund product, there are several managers with outstanding track records, managing more modestly sized funds that might be interested in the opportunity to take the reins of a much larger fund. I have not discussed this with the few I would consider candidates, that would only be required if it becomes clear that option one is not going to be the best way forward. This would likely involve the two funds merging and the new manager gradually reshaping EGPCVF into their preferred portfolio. Such a manager would still need to have no management fee, but there might be changes to the benchmark or the performance structure, depending on the manager chosen.

The third option would be to become the “retail access point” for Cipher Fund. Cipher will at least for the first few years be available only to wholesale investors. If EGPCVF has not begun to recover the benchmark shortfall, an alternative path for our unitholders who believe in the idea of no management fee investing would be to steadily liquidate the portfolio over time and replace the holdings with units in Cipher Fund. If such a path were taken, obviously any performance fees would be eliminated and the only costs for running the fund would be administrative.

Finally, we could simply liquidate the fund and return the capital to investors. This sounds simple; it would likely be a good deal more complex than that. There are several quite illiquid holdings, including some unlisted investments with defined terms running out as far as early 2024. This option I consider the least desirable of the three alternatives to continuing as is, but should we put a change to a unitholder vote, I would be compelled to have this option available.

Zero Fee Collective/Cipher Fund: -

Last year's annual letter set out extensively what our vision for ZFC/Cipher is and why it is time to see such a product come to market. Enormous progress was made with our partner in the project JANA over FY2022, but unfortunately a significant delay to the launch of the fund has seen the projected launch for Cipher Fund move into 2023.

Like so many products and services that are materially different from those on offer prior to launch, Cipher operates very differently from the current industry standards and as such, launching the fund was going to be complex. We feel our vision for the product is now further developed and despite the strong desire of Brad and I to see the fund commence operation as soon as practicable, we are happy to work with JANA in seeking a successful launch.

The Pareto Principle/Power Laws: -

Investing is an unusual business. Working harder and longer does not always assure better results, at least not immediately. I have written repeatedly about redoubling my efforts as the fund began to lag our benchmark. These were not empty words; I have revisited the portfolio regularly, challenging the investment theses of all holdings and scouring for better risk adjusted returns in alternative investments. But just because I spent longer hours and did harder, more detailed work does not alter the market perception of our holdings. Time, I anticipate will eventually do that, but hard work cannot change values in the short term.

This is very different if I work for myself as a tradesman, or a lawyer for example. Working additional hours each week will see my income immediately higher than it would otherwise have been as billable hours are the primary output of my work.

Investing does not work this way. One can sometimes arrive at the conclusion that a business is fundamentally cheap in the matter of only a few hours research. Hours or days of more in-depth research may eventually reveal further information that might confirm or disconfirm this view, but some vital piece of information materially changing an investment thesis is seldom found in the 5th week of due diligence. Activities such as interviewing low level company employees, or other such detailed analysis seldom turn up thesis changing information.

Such activities may well inform on the company culture and other matters that enhance the understanding of what a company is, but the big freight is carried by the obvious matters. The industry outlook, business model, competitive environment, key executives, and incentive structures to name a few.

By way of example, we have owned Dicker Data (DDR) for about 10 years now. I feel like I know the business about as well as I could without seeking employment at the company to directly observe operational matters day to day. I still attended a warehouse tour last month to hear about their expansion plans, but any new information is at best enhancing my understanding of the business at the margin.

DDR is currently trading back down around prices it first saw about two years ago despite the last quarterly update guiding a 2022 earnings per share that will be more than 60% above the 2019 figure (despite paying out all earnings as dividends). This is a simple example of where sentiment and fundamentals have diverged. Even if you had been able to precisely model the excellent performance of the business in the past two years, the chances of correctly predicting the path the stock price would have taken in that two years - rising 45% before falling back to where it started – was very low and additional research could not have helped.

What prompted me to write on Pareto Principle and Power Laws was the work I have done in the last six or nine months on the fossil fuel industry. Pareto principle states that for many outcomes, roughly 80% of consequences come from 20% of causes (the "vital few").

I have been thinking about environmentalism generally and how despite the enormous importance of the subject to how well mankind will live in the future, the tendency for the citizenry and therefore policymakers to focus on minutiae has led to a huge misallocation of resources and efforts. The inanity of our attitude to the environment was crystallised for me by two events in the first few months of this year.

The first was when I ordered a pair of frozen cocktails for my Wife and myself at an event we attended in February. I was given the drinks by the bartender and four straws for each cocktail. I asked the bartender "why so many straws?" Their response "the paper straws are useless; you will need at least three or four to finish the drink". As someone who seldom drinks the type of beverage that requires straws, I had not thought much about the recent move to paper straws, save from occasionally hearing someone complain about them. These eight straws were also sleeved in plastic for "hygiene purposes", the total quantum of plastic in the wrapping probably not far short of what a single plastic straw per drink might have contained. Inanity writ large!

The second event was a factory tour of the recently acquired National Tyre & Wheel (NTD) retreading operation in Ingleburn. On that tour, CEO Peter Ludemann talked about the (slow) trend towards retreading truck tyres which has respectable cost benefits, but much more significant environmental benefits.

I will use figures I got on the tour. Any mistakes in the figures are mine and not Peter's. Around 2.1 million new truck tyres are sold in Australia annually and it is thought that around 700 thousand retreads are sold alongside these. A truck tyre can be retreaded safely up to three times. If on average every truck tyre was only retreaded twice, this would remove the waste from almost 1.2 million new truck tyres every year.

There is about 0.4 grams of plastic in a straw. If every Australian used three straws per week (I cannot imagine actual usage is anywhere near this), this would amount to 1.56m kilograms of plastic waste per year. Truck tyres weigh about 50kg each, meaning eliminating 1.2m tyres by encouraging two sets of retreading per tyre would eliminate more than 60m kilograms of waste from the environment and obviate the need for around 426,000 barrels of oil being produced (remember this is just Australia too).

The retreading described above would be about 40 times more effective at removing waste than banning plastic straws, yet I cannot recall ever hearing about retreading as an important environmental initiative. Modern retreads are virtually indistinguishable from new tyres in terms of their safety and performance and are generally modestly more cost effective on a cents per kilometre basis. Unlike paper straws, which are in almost always a substantially inferior option and less cost effective.

If passionate environmentalists followed the Pareto Principle, retreading would have been very high on the list of policies where an enormous result could be extracted with no economic harm and certainly would have been enacted before a policy banning plastic straws. A significantly expanded retreading industry would in fact generate a meaningful benefit to the Australian economy as every retread created would displace an imported tyre, thereby creating new manufacturing jobs along with lowering the cost per kilometre of the Australian trucking industry.

Anyone interested to learn more about tyres generally should visit the Tyre Stewardship website, or even just review their two-page .pdf document on the benefits of retreading.

The most important thing we can do for ourselves is to maximise the usefulness of our time. We get so little and should endeavour to spend it well. If you are passionate about a subject (be it environmentalism, investing, or anything else), you will want to spend your time achieving as much as you can in pursuit of mastery of that subject. The best thing you can do before blundering ahead is to stop and think about how to extract the most value from the efforts you intend to apply to the field.

Distributions: -

The distribution based on FY2022 will be meaningfully smaller than in previous years, I estimate about 3 cents per unit (cpu) will shortly be paid to all unitholders, there will be around 0.8 cpu of franking credits distributed along with it. The modest capital gains distributed were all "long-term" in nature and will therefore be subject to the CGT discount.

Given the poor performance of the fund in the past few years, it would be reasonable to expect future distributions will also be relatively modest, comprising mostly only any dividends we receive. We now have substantial unrealised tax losses among our holdings and barring a truly spectacular recovery in performance, would expect the realisation of some of these to offset the bulk of any gains realised in the next couple of years.

The final word: -

I talked in this section last year about a few large mistakes that had hurt the fund significantly (Kangaroo Plantations, LawFinance, Locality Planning and Site Group were the ones identified). These mistakes mostly continued to hurt through FY2022 although important events at a couple of those holdings leave us expecting FY2023 will see meaningful value recovery.

We mentioned these mistakes meant that despite the very good performance of a few of our holdings (PPK Group, Cettire, Dicker Data and Redbubble were identified), we still were not performing to our expectations. The brutal sentiment shift in the market from October saw the very positive returns those four holdings had delivered in FY2021 sharply reverse, and they became among the largest detractors from fund performance in FY2022.

The recent takeover bids launched at significant premiums for MYD and PYG indicates the fundamental valuations of our portfolio holdings are there. If the market comes around to our view on valuation for some of our other holdings, the fund's performance could easily turn quite quickly, it does not necessarily require takeovers, just a modest shift in sentiment towards our major holdings as almost without exception, they are executing well against clearly explained strategies.

As always, unitholders may feel free to call (0418 278 298), or email (tony@egpcapital.com.au) if something is on your mind. I pride myself on being transparent and freely available to all investors who have placed their faith and future wealth into my hands.

Best Regards,

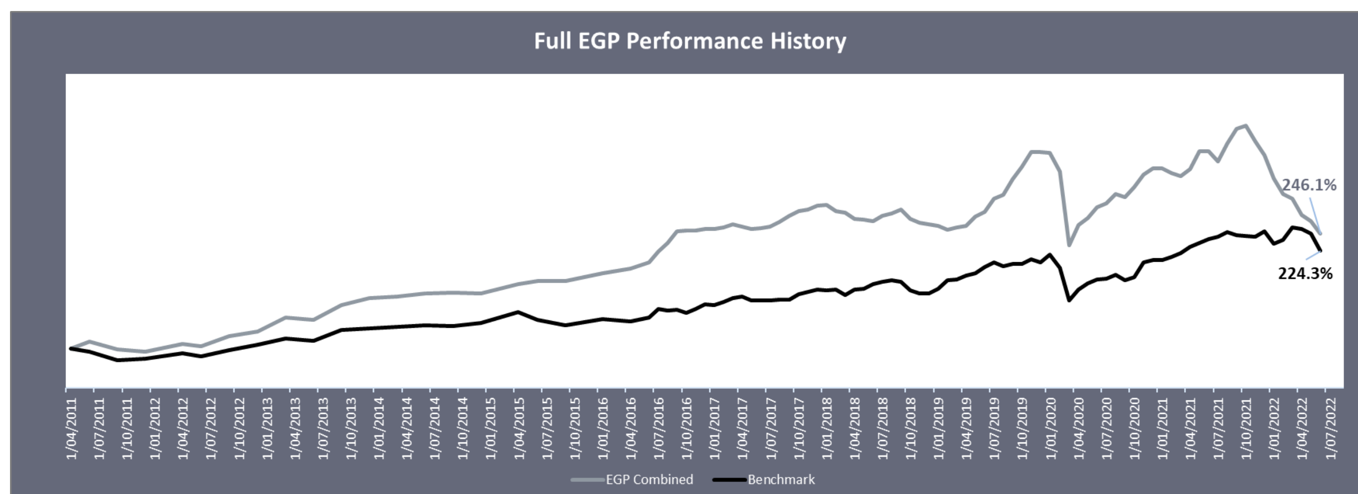
Erik A. (Tony) Hansen
Chief Investment Officer
EGP Capital

Appendix 1:

Combined performance of EGP Fund No. 1 (operating from 01 April 2011 to 15 August 2017) and EGP Concentrated Value Fund (operating since 15 August 2017):

Financial Year	Combined Funds (after fees)	Benchmark	Outperformance/ (Underperformance)
2012*	2.99%	(10.46%)[1]	13.45%
2013	32.58%[1]	22.75%[1]	9.83%
2014	24.71%[1]	17.43%[1]	7.28%
2015	9.04%[1]	5.68%[1]	3.36%
2016	13.19%[1]	2.13%[1]	11.06%
2017	20.75%[1]	15.89%[1]	4.86%
2018	3.39%[1&2]	13.01%[1&3]	(9.62%)
2019	4.63%[1]	11.55%[1]	(6.92%)
2020	1.99%[1]	(7.68%)[1]	9.66%
2021	25.50%[1]	27.80%[1]	(2.30%)
2022	(29.96%)[1]	(6.47%)[1]	(23.49%)
Annualised	8.34%[1]	7.45%[1]	0.89%
Cumulative	146.1%[1]	124.3%[1]	21.8%

* 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/distributions
2 Comprises the 1.78% earned by EGP Fund No. 1 Pty Ltd between 1 July 2017 – 15 August 2017 & the 1.58% earned by EGPCVF between 16 August 2017 – 30 June 2018
3 Comprises the 0.75% earned by the benchmark between 1 July 2017 – 15 August 2017 & the 12.18% earned between 16 August 2017 – 30 June 2018



	1-Year	3-Years	5-Years	10-Years	Inception Annualised
Combined EGP Funds	(29.96%)	(3.58%)	(0.61%)	9.10%	8.34%
Benchmark*	(6.47%)	3.34%	6.80%	9.62%	7.45%
Value Added	(23.49%)	(6.91%)	(7.41%)	(0.52%)	0.89%

*ASX200TR Index

Appendix 2:

EGP Concentrated Value Fund

Address: Post Office Box 1873,
Macquarie Centre, NSW, 2113

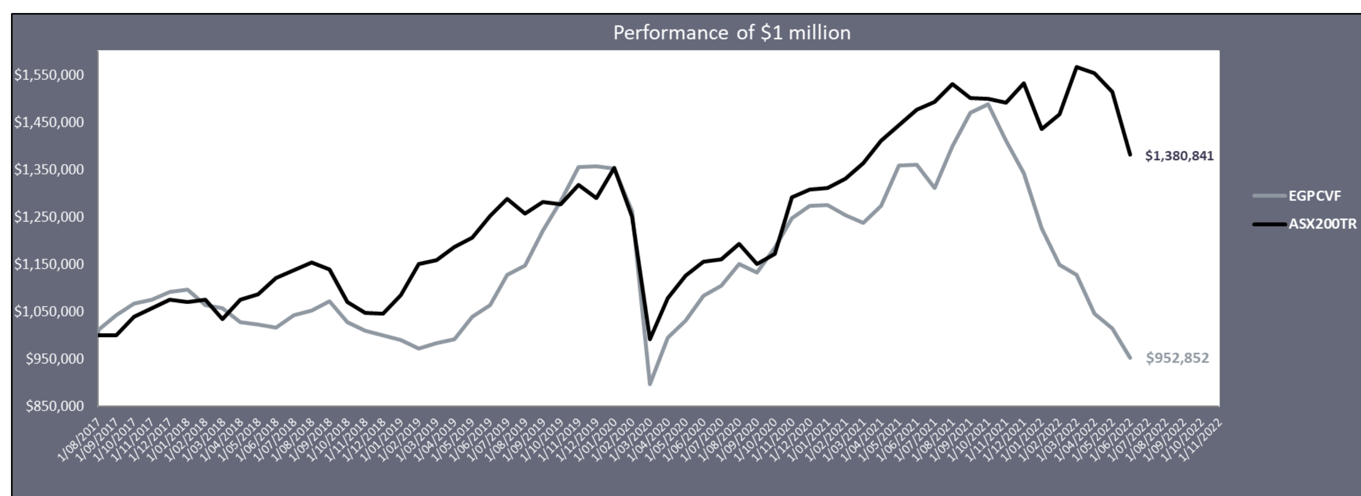
Mobile: 0418 278 298

EGP Concentrated Value Fund – 30 June 2022

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%	4.1%	(1.5%)	4.6%	5.3%	2.2%	0.1%	(1.7%)	(1.3%)	2.9%	6.7%	0.1%	25.50%
Benchmark FY21	0.5%	2.8%	(3.7%)	1.9%	10.2%	1.2%	0.3%	1.5%	2.4%	3.5%	2.5%	2.3%	27.80%
EGPCVF FY22	(3.6%)	6.7%	5.1%	1.2%	(5.2%)	(4.8%)	(8.7%)	(6.2%)	(1.9%)	(7.3%)	(3.0%)	(6.0%)	(29.96%)
Benchmark FY22	1.1%	2.5%	(1.9%)	(0.1%)	(0.5%)	2.8%	(6.4%)	2.1%	6.9%	(0.9%)	(2.6%)	(8.8%)	(6.47%)

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



EGP Concentrated Value Fund FY2022 Performance Letter

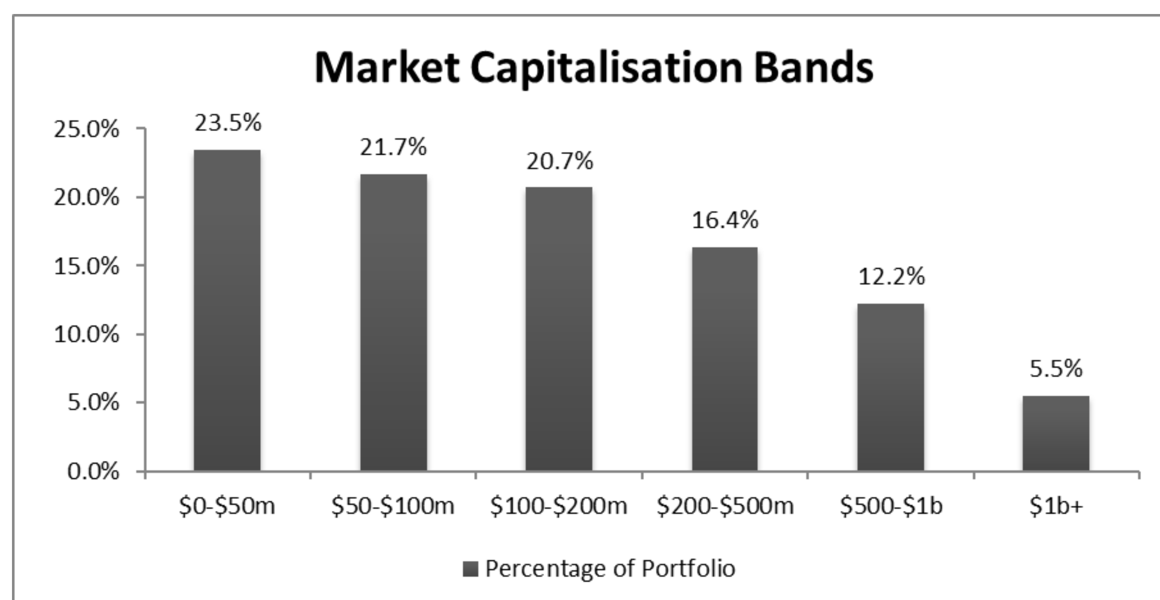
The fund fell (6.0%) in June. Our benchmark fell (8.8%). June was another poor month for the fund in absolute terms, the relative outperformance against our benchmark and against the more severe (13.4%) fall of the Small Ordinaries index was primarily the result of the takeover bid launched this month for PayGroup (PYG), our 14th largest holding before the bid came, now our 3rd largest holding. With the significant falls in many of our best holdings, we disposed of our entire position in MyDeal and have commenced deploying the cash raised into several positions we feel are most deeply undervalued in the portfolio. I wrote down our holding in the unlisted Tellus business by 10% in June, in keeping with the dislocated market and what we feel we could obtain for the stake if we tried to sell.

Our top 10 holdings at 30 June 2022 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	United Overseas Australia (UOS.ASX)	12.2%	11.0%
2	Smartpay (SMP.ASX)	8.5%	7.6%
3	PayGroup (PYG.ASX)	7.1%	6.4%
4	Shriro Holdings (SHM.ASX)	6.8%	6.1%
5	Tellus (Unlisted)	6.2%	5.5%
6	Dicker Data (DDR.ASX)	5.5%	5.0%
7	SRG Limited (SRG.ASX)	4.9%	4.4%
8	Blackwall Limited (BWF.ASX)	4.9%	4.4%
9	National Tyre & Wheel (NTD.ASX)	4.2%	3.7%
10	SDI Limited (SDI.ASX)	3.8%	3.4%

Our largest 5 holdings now comprise 40.7% of our invested capital, our top 10 holdings are 64% and our top 15 represent 79.2%. Cash and cash equivalents are 10.4% of the portfolio. The median market capitalisation is $125.7m. Weighted average market capitalisation is $302m.

The market capitalisation graph is set out below:



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

EGP Concentrated Value Fund FY2022 Performance Letter

Fund Features		Portfolio Analytics	
Min. initial investment	$50,000	Sharpe Ratio[1]	-0.20
Additional investments	$5,000 (Minimum) $200,000 (Maximum)	Sortino Ratio[1]	-0.13
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	19.14% 15.51%
Distribution	Annual 30th 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) Performance fee (>$50m)	20.5% (inc GST) 15.375% (inc GST)	% Of Positive Months – EGP % Of Positive Months - Benchmark	57.6% 64.4%
Auditor	Ernst & Young	Cumulative return[2] – EGP Cumulative return[2] – Benchmark	(4.9%) 38.1%
Custodian/PB	NAB Asset Services	1-year return[2] – EGP 1-year return – Benchmark	(29.96%) (6.47%)
Responsible Entity	Fundhost Limited	3-year annualised return[2] – EGP 3-year annualised – Benchmark	(3.58%) 3.34%
Fund Size	$49m	5-year annualised return[2] – EGP 5-year annualised – Benchmark	N/A N/A
Mid-Price for EGPCVF Units Accumulated Franking per Unit	$0.7798 $0.0083	Buy Price for EGPCVF Units Sell Price for EGPCVF Units	$0.7809 $0.7786

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.

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