EGP Concentrated Value Fund

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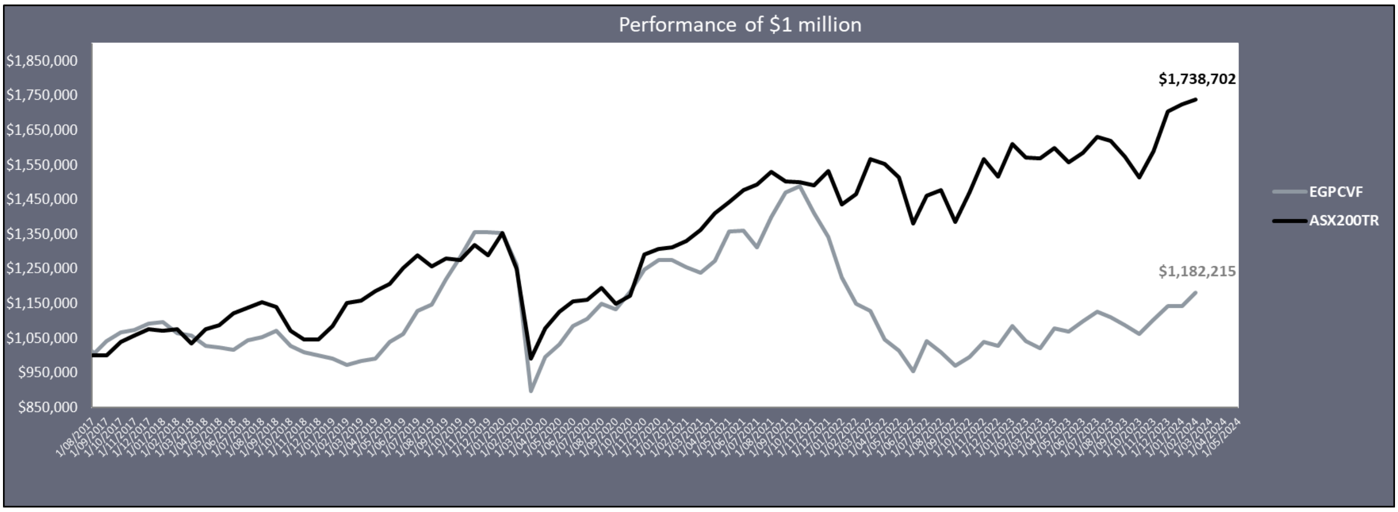
EGP Concentrated Value Fund – 29 February 2024

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%)
EGPCVF FY23	9.4%	(3.2%)	(3.8%)	2.6%	4.3%	(1.1%)	5.6%	(4.0%)	(2.0%)	5.7%	(0.9%)	2.7%	15.21%
Benchmark FY23	5.8%	1.2%	(6.2%)	6.0%	6.6%	(3.2%)	6.2%	(2.4%)	(0.2%)	1.9%	(2.5%)	1.7%	14.78%
EGPCVF FY24	2.6%	(1.5%)	(2.0%)	(2.4%)	3.9%	3.6%	0.0%	3.5%					7.69%
Benchmark FY24	2.9%	(0.7%)	(2.8%)	(3.8%)	5.0%	7.3%	1.2%	0.8%					9.70%

*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 gained 3.5% in February. Our benchmark gained 0.8%.

The smallcaps indexes handily outperformed our benchmark, the Small Ords by ~1% and the Emerging Companies index by >4%. One swallow does not a summer make, but if small cap performance arrives, our job of outperforming the ASX200 (which is a much better benchmark in the longer term) will be much assisted given our primary exposure is to very small businesses.

From a market's viewpoint, February was marked by the most savage results day swings in years. Modestly better or worse results than expected saw huge swings in the valuations of even very large companies. We were fortunate to be on the positive side of that more often than the negative side, leading to a good month of outperformance.

Contemplating AI: -

AI (artificial intelligence) has the potential to be of enormous value to businesses and society more broadly. I read this month that in the first month after deployment, the AI assistant Klarna (a "buy now pay later" business) developed with OpenAI handled 70% of their inquiries at a higher level of accuracy than their human operators and the business estimates its implementation will improve their profitability by US$40m annually. There is enormous potential for job-loss, but historically, in the more than 200 years since the Luddites first revolted against technological advancement in industry, modern society has always found ways to employ people replaced by technology in higher value roles.

One obvious risk therefore of AI is of financial inequality. If the job losers such as outlined above cannot find alternative viable employment, AI could create an "underclass" and we have seen how poorly inequality is handled in society of late, even when the median quality of life is improving. Were it to go backwards, revolution would surely result. Another frequently contemplated concern with AI is the idea that the "machines could turn on us", the Terminator movie franchise gives a good dystopian estimation of what such an event might look like.

The risk that exercises my mind most is the risk of bias and discrimination, if the owners of AI are not egalitarian in the way they write the AI code, a pervasive discrimination could permeate our lives in a way that was potentially less obvious, and more pernicious than the first two risks described. The early indications that this is the risk we much monitor most closely are described below. Although the sledgehammer subtlety employed in this example was unlikely to ever fool anyone.

I have written previously about how evil many behaviours from large tech businesses controlling important elements of our society has become. When Google dispatched their "Don't be evil" motto, few would have suspected it was because evil was exactly what they intended to become…

The release of Google Gemini AI product should have been the greatest research and development achievement from Google in years. The product is outstanding and a step-change improvement on all precursor AI products, but the Gemini released is dreadfully racist and sexist by virtue of the company intertwining the product code with the "DEI" (Diversity, Equity, and Inclusion) that threatens to ruin their business. Google have managed to turn what should have been a triumphal release into an unmitigated public relations disaster.

I read a comment from someone this month words to the effect of "corporations able to remain centrist have a significant competitive advantage", it is incredible the harm that large, valuable, and important businesses are doing to their brands trying to satisfy the insatiable outrage machine that is DEI. Michael Jordan reputedly said "Republicans buy sneakers too" when declining to publicly voice his support for a black Democratic candidate in his home state. His quote below - or some applicable variation of it - should be hung in every corporate boardroom, musician's studio, and actor's trailer:

"I never thought of myself as an activist. I thought of myself as a basketball player."

Every person should be free to speak on issues they have a strong view about. But everyone should be careful to remember Charlie Mungers wise words about ideology **"Heavy ideology is one of the most extreme distorters of human cognition"**. Your ability to reason independently is one of the most valuable skills you can possess, you let tribalism and ideology steal it from you at your peril. Stay hyper alert that tech companies are not conditioning your mind too.

Portfolio Update: -

First portfolio company to present their results in February was Cettire (CTT). I wrote in my August 2023 newsletter that I thought at least $55m EBITDA was possible in FY2024 if their trajectory held. I have previously written that the outsized gains come from when you (correctly) predict an outcome meaningfully different to the market expectations. This "variant perception" is critical to strong returns. To give you an idea of how far above consensus my EBITDA expectation was, here are the consensus expectations pre-results:

Financial Summary

	Jun '23S	Jun '21A	Jun '22A	Jun '23A	Jun '24E	Jun '25E
Revenue	228.53	92.41	209.88	416.23	629.10	835.63
Growth (%)	137.6	304.3	127.1	98.3	51.1	32.8
Gross Income	44.72	19.45	32.65	87.85	149.05	198.56
Margin (%)	19.6	21.0	15.6	21.1	23.7	23.8
EBITDA	10.68	0.54	-25.97	23.68	38.02	52.95
Margin (%)	4.7	0.6	-12.4	5.7	6.0	6.3
EBIT	8.36	-0.13	-27.75	19.61	31.10	43.30
Margin (%)	3.7	-0.1	-13.2	4.7	4.9	5.2
Net Income	7.94	-0.25	-19.06	15.97	22.91	32.70
Margin (%)	3.5	-0.3	-9.1	3.8	3.6	3.9

Post the AGM, I had updated my mid-point EBITDA expectations to $50m (per October report [.PDF]) as management were clearly sacrificing margin to continue to drive revenue growth. In any case, I was still more than 30% above consensus expectations for EBITDA and 13% above expectations on revenue ($710m mid-point versus $629m consensus).

Given the big jump in share price post results, I was perhaps the only person following CTT who saw the reported $26.1m as a slight miss to my expectations. The earnings call had good explanations from the CEO and CFO, with CEO Dean Mintz saying **"we have probably under-invested in marketing for the past couple of years"**. I have been saying just that for about that long in these newsletters. The fact that many customers, once they have used the CTT platform become repeat customers has been increasingly obvious in the reported figures since listing. Given that, sacrificing margin in current periods to augment the active customer base is clearly the business strategy with the highest expected payoff. I am pleased to see this far-sighted attitude to value creation now being reflected in CTT's operations (even if it will dim earnings in the near-term).

Consensus revenue for FY2024 now matches the mid-point of my expectations ($710m). Consensus EBITDA for FY2024 has been revised up to $45m, while I have revised the mid-point my expectations down to $46m to account for the increased marketing aggression.

Consensus NPAT for CTT in FY2025 and FY2026 are $41m and $56m. The EV at the time of writing this section was $1.5b, implying forward price to earnings (PE) multiples of 36.6x and 26.8x respectively. If consensus expectations are achieved, the (adjusted) NPAT progression for CTT would have been:

FY2022 ($16.4m) loss → FY2023 - $18.4m profit → FY2024 - $30m profit → FY2025 - $41m profit → FY2026 $56m profit.

You cannot properly calculate a compounded annual growth rate (CAGR) from a negative starting figure, but the above is approximately a 60% NPAT CAGR, with the exiting CAGR holding at ~37%.

I wrote in last month's newsletter (.PDF) about DDR and DTL that each had 6-year NPAT CAGR's of ~16% and traded on 25x and 36x PE's respectively. A ~27x forward PE (at time of writing) for CTT for earnings growth massively exceeding that of those fine businesses feels manageable, particularly when considering CTT's much larger addressable market combined with their habit of blowing past consensus expectation.

With that said, given how much closer my own expectations now are to those of the market, we trimmed our CTT holding in February by about 12%. There is a high likelihood I will look back on that decision with regret much as I have every time I trimmed our DDR holdings, but the valuation is now full enough that to earn an outsized return requires a continuation of the heroic operational performance CTT have delivered since listing, which becomes ever more difficult as they cycle increasingly gargantuan revenue figures.

Should the FY2026 consensus profit of $56m unfold as described above, a reasonable expectation of the PE multiple the market would apply is ~40x (this likely is at the low-end of expectations for a profit trajectory as described above), which from the $1.5b valuation at the time of writing, implies a ~22% expected IRR (internal rate of return), which is still above our target return of 20%. This is why we have only trimmed our position modestly. The risk to the upside of this outcome is their impending entry into China (even with their economy teetering, China remains the world's largest luxury market). Management have indicated their partnership with JD.Com should become active in 2024 (this was announced 2 years ago, so they have been very slow and careful establishing how the relationship will work). The new piece of information that came up in the earnings call is that management have also developed a separate direct path into the Chinese market sometime this year. For most businesses, this would be quite risky, but the Cettire business model means this risk should be more easily managed as they will not have a meaningful operational footprint inside China.

Blackwall (BWF) was the next larger portfolio holding to report. The underlying business performed well, with revenues up about 8% and costs managed down slightly half on half. As discussed last time I wrote about BWF in these pages, this is a moot point because post the takeover of Pelorus private equity, we are sharing this modest earnings growth across a much larger quantity of shares on issue. I would contemplate selling the position, but at the share price at time of writing, the dividend yield is ~10.6% (or 14.2% grossed up), and the assets are very good ones that are highly likely to generate growing earnings and generate revaluation gains periodically. The underlying NTA is much higher now, but our proportional ownership of the growth engine of the business has been diluted. The board have made the smart decision to distribute some of the WOT.ASX holding by way of dividend, which is a sensible way to use some of the Franking Credit hoard whilst retaining cash on balance sheet, but we remain displeased with the recent acquisition and wait to see if the board has some other value accretive transaction to follow on from the Pelorus acquisition to restore the dimmed growth prospects.

SRG Limited followed with what on the surface seemed a very strong result. Market participants generally agreed with the stock up ~17% from month end January to month end February. In terms of my expectations, the revenue was better than I had expected, but per share earnings were a miss. I made this statement in the August report (.PDF):

"SRG have developed a predictable playbook. Make a forecast for the year ahead with annual results, upgrade it at the AGM, upgrade it again at the half-year result and then upgrade one more time on the home stretch."

As I pointed out at the time, they skipped their AGM upgrade and the one that came with the results was very modest (about 2% EBITDA upgrade at the mid-point), which tells me they may be having a harder time than expected extracting the expected benefits from the last acquisition. The earnings call did discuss the considerable "cross-sell" opportunity but bedding down any acquisition of reasonable size almost always ends up being harder than expected.

I had plumped for 8c of EPSA in FY2024 back in August. With the 3.4c delivered in the December half, I now think 7.5c EPSA is more realistic. The "finance expense" was the primary culprit in causing EPSA to grow so much slower than revenue and EBITDA. $3.98m of financing expense for average borrowing of ~$63m for the half implies >12% p.a. cost of financing (notwithstanding other financing costs are included with interest charges). The business is back to net cash at the December results, so hopefully our CFO prioritises minimising those brutal finance costs this half so more of the EBITDA gains stick to shareholders ribs at the EPSA line.

Despite moderately lowering my FY24 EPSA, we still view SRG as fundamentally undervalued. A 12-14x EPSA valuation still seems reasonable given the strong business trajectory and a resources and infrastructure cycle that shows no signs of rolling over, implying a valuation near $1 or ~30% near-term upside. But with the upside reduced since the August newsletter (combination of share price rising and lowered EPSA expectations), we have trimmed our SRG position in February as we have more prospective applications for the cash. Unfortunately, the shares we are selling are the deliciously cheap Covid purchases with a 21.5c cost base, but whilst we are mindful of the best taxation outcome, the best investing outcome remains the first focus.

Shriro were next cab off the rank, with 6c of EPS for the half, their earnings are always skewed to H1, but they should still be able to generate perhaps 8.5cps for FY24, which when you consider significant one-off costs in the year should mean a return to growth from FY25 and beyond and you still get a net cash business that has been one of the most reliable microcaps for returning capital to its shareholders since listing for ~10x P/E. The growth ambitions have been stalled this year, but in discussions with management post results, they remain bullish about their various product lines and are still developing some new products where they will retain the brand IP. If one adds back the ~$1.5m of costs for the ERP implementation and the additional ~$1m p.a. of revenues being generated from subletting the half of their warehouse they no longer require after exiting the kitchen appliance business, meaningful FY2025 earnings growth is all but guaranteed and not priced in. The only thing likely to light a fire under the share price is M&A that is clearly earnings accretive. Management remains somewhat hamstrung by the low valuation in this regard, but the discipline they have demonstrated in their pursuit of M&A pleases me enormously.

I have written previously about Matrix Composites and Engineering (MCE), which specialise in sub-sea buoyancy, primarily servicing offshore oil production. The shares traded at >$7 each in 2012 as the company minted profits, and as low as 13c after I decided they were cheap at under 40c and began accumulating… After averaging down with purchases as low as 15c, our average cost is about 32.5cps, which is around where the shares have traded recently. Unfortunately, with our weighted average holding period approaching 3 years, if the stock were to double over the next 2 years, our IRR would be only ~15%, which is below our target level (although considering way the past few years have unfolded, would be considered acceptable!).

It is possible that if market participants come to believe the current oil CAPEX cycle is likely to be longer and more sustainable than the last few that they will bid the stock up to higher valuations than countenanced below. Given the massive CAPEX drought in the industry for nearly a decade combined with recent gross underinvestment in greenfield exploration, this is a reasonable prospect in our estimation.

MCE has not really made any profit since 2016, it is an eye-wateringly cyclical business. FY2011 revenues were $175m, FY2018 revenues were under $20m! The respective after-tax profits from those years were +$30.2m and a $15.4m loss!

MCE is unusual insofar as gross profit margin follows a logarithmic curve; margins go negative at ~$25m annualised revenue. At $175m revenue, the GP margin was ~29%. This half saw $26.7m revenues and 12.8% GP margin, but management has guided to ~$85m revenue as the revenue from orders currently being manufactured is able to be recognised. This implies ~$58m of revenue for the June half, which is more than 60% of the way back to the FY2011 revenue peak. Management guided to similar levels of operating costs in H2FY24 as in H1, which should preface a massive opening of the jaws of operating leverage.

The exact shape of the logarithmic GP curve leaves it hard to be certain of GP levels at $58m revenue for a half. Conservatism demands we err on the lower side, but to give ourselves a sense of the recent quantum of GP margins, we can look at the past 3 halves in a table and use them to inform our H2 estimate:

	H1FY23	H1FY24	H2FY23	H2FY24 (estimate)
Revenue	$11.85m	$26.70m	$35.36m	$58.3m (guidance)
Cost of Sales	$11.49m	$23.28m	$30.13m	$45.5m (estimate)
Gross Profit	**$0.36m**	**$3.42m**	**$5.23m**	**$12.8m (estimate)**
Gross Margin	**3.0%**	**12.8%**	**14.8%**	**22.0%**

The GP estimate in the table above should really be a range, 19%-25% feels like it should cover a 95% confidence interval. The revenues should probably be a range as well, but we do not need too many variables complicating what we are trying to determine.

With a mid-point GP estimate of $12.8m and management having guided operating costs similar half on half ($7.3m in H1), the mid-point expectation is for $5.5m of pre-tax profit for the June half. With $116m of accumulated losses on the balance sheet, pre-tax profit = post-tax profit for the foreseeable future…

This is an annualised cash profit of ~$11m if you believe the $116m revenue run rate is sustainable. For context, here if the 5-year revenue summary from the FY2015 Annual Report:

		FY15	FY14	FY13	FY12	FY11
Revenue	**$**	144,074,596	158,580,565	145,487,485	144,811,799	174,640,578

Revenues averaged $153.5m over these 5 years and the business now has (modest) additional revenue streams that would be additive to this base level. This picture tells me that a $100-130m annual revenue base is unlikely to be too aggressive an expectation, especially considering the capacity that has left the industry through the low cycle.

The eternal question then is what to pay for these expected earnings? The enterprise value at 31c is $52m. If we think the $11m of annual cash earnings is the fair mid-cycle level (i.e. we think the business could average this level of earnings over the next 5-7 years), then the current EV implies a 21.2% cash earnings yield.

Given the monstrous cyclicality exhibited over the past decade, investors will likely be leery to bid these earnings to too high a level. My sense is that a 12% earnings yield is likely a reasonable expectation. A 12% earnings yield on $11m is a $92m EV. If we assume it takes 2 years for the market to come to this valuation (throwing off ~$22m of cash in the meantime), this requires an approximate doubling in the equity value.

Those wishing to do their work on MCE as a prospect must consider the Convertible Note, which would currently require a circa 12% equity dilution to extinguish. This would turn the doubling of equity price described above into a ~78.5% increase. That 33.6% p.a. prospective return over the next couple of years is why we have crept MCE into the Top 10 in the past couple of months.

Dicker Data had effectively guided their result, the 100% dividend payout ratio means the final dividend implied 45cps for FY23, they delivered 45.6cps. This business is an excellent way to capture the "computerisation of everything" that is still in its infancy. Very few businesses generate 32% return on equity and face such a prosperous industry outlook. With the acquisition indigestion clearly now settled, DDR are likely to generate close to 55cps of FY2024 earnings, which does not make the ~$12 share price look expensive when you consider the 100% dividend payout and the 10-year EPS CAGR of 23.3%. Should the CAGR over the next 10 years be only half that (11.6%) and the exiting P/E 20x, that TSR (total shareholder return) would exceed 16%. Considering the industry tailwinds and the outstanding job management have consistently delivered, that feels like a reasonable base expectation… Not adding to our DDR position through 2023 is one of my bigger mistakes for the past couple of years.

National Tyre (NTD) released a weaker result than I had expected. Management had guided the December half would resemble the preceding June half and it was a good deal weaker than that. There were good signs of progress from the update though and the outlook statements brim with a confidence not seen for a couple of years. The confirmation that the Dunlop distribution will begin this half saw the business again choose not to pay a dividend to fund the additional working capital that will require. The NPATA for the past 12 months is ~$8.3m, which implies a ~10x P/E against the current market capitalisation. The business earned $21.1m NPATA in the boom year of FY2021.

Because of the cyclicality of NTD, I value it based on my expectation of "mid-cycle" earnings, which should be somewhere in the middle of those two figures (~$15m). Because of the intense cyclicality, the market capitalisation should trade on a modest multiple of this figure. 8-10x feels fair, with the midpoint of ~$135m implying the current market capitalisation of ~$80m materially undervalues the business. The question from a return viewpoint (assuming we picked the right valuation) is how long it takes to close that 69% gap. If it took 3 years, the IRR would be very close to our 20% target. Based on the outlook commentary from management, I think it will be faster than that, we added quite aggressively to our NTD position this month.

SDI Limited (SDI) released a result 10% above the top end of guidance given only last month. Whilst I prefer an "under promise and overdeliver" standard from my managements, not being able to tabulate the figure more closely after the period had closed also looks a little sloppy. Nonetheless, trailing 12-months NPAT is $8.1m which for a business with the growth ambitions we have previously outlined means the valuation is far too low. There is an expectation they will need to raise equity to fund the warehouse modernisation. I have previously outlined how this could be achieved without raising equity, and with such significant founder ownership, you should expect the Chairman not to issue significant equity at such low valuations. The current low valuation feels like a Mexican standoff, I expect market participants will flinch first and the valuation will become more sensible before any equity issuance.

PPK Holdings (PPK) had respectable results from their two mature businesses, meaning operating cashflow at the parent level was just shy of breakeven, and based on the outlooks for each of these businesses likely means they will be cashflow positive going forward at the parent company with the subsidiary businesses all well positioned to selffund. This means they can await the various commercialisations at the subsidiary businesses focussing primarily on developing markets for their nano materials products.

United Overseas Australia (UOS) released a strong 2023 report, new property sales were up 29.6% year on year, and I expect will grow on a similar scale in 2024. I have repeatedly discussed the fact that this is not a property developer of the normal type, with mountains of debt and lumpy earnings often trending to loss years. They have retained so many wonderful assets on balance sheet that their “recurring revenues” ($156.7m) meaningfully exceed their total operating expenses ($108.7m) meaning the business would be profitable even if they stopped developing property and continued to pay all staff associated with that enterprise. They are also about to launch their second development in Vietnam and commence the (very large) JV project in Vietnam. There are tailwinds coming down every aisle for UOS, with the prospect of some type of corporate action looming ever larger as cash is migrated out of UOADEV into the parent.

		CONSOLIDATED	
		2023	**2022**
		$’000	**$’000**
(i)	**Other revenue**		
	Rental revenue	88,917	77,737
	Parking fee revenue	15,685	12,782
	Management fee received	-	30
	Hotel operations revenue	39,056	23,452
	Dividends received from investments – other corporations	265	546
	Other services	12,774	10,763
		156,697	125,310

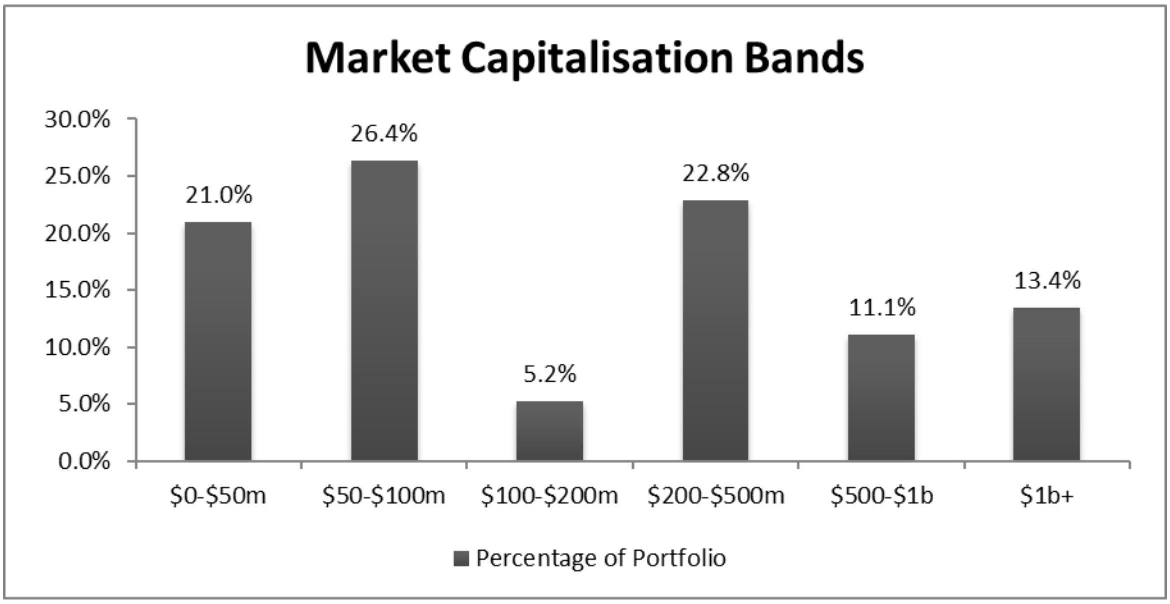
Finally, I must touch on Stealth Group (SGI). I first wrote about our SGI holding in March 2022 (.PDF), and when I look back at that report, the subsequent difficult conditions have seen the business performance fall short of where I had hoped the business would be this year. The protection of gross undervaluation at that point in time has still seen the share price roughly double and moved the position into our top-10 holdings. I intend to write about SGI in more detail in next month’s report. A look at the ASX announcements by SGI shows we have trimmed our position, but after recalibrating my forward expectations, we have stopped that for reasons I expect to elaborate on next month.

Key Portfolio Information: -

Our top 10 holdings on 29 February 2024 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	Smartpay (SMP.ASX)	10.6%	10.1%
2	United Overseas Australia (UOS.ASX)	10.6%	10.0%
3	Cettire (CTT.ASX)	8.9%	8.4%
4	Dicker Data (DDR.ASX)	7.2%	6.8%
5	Tellus (unlisted)	7.1%	6.7%
6	Shriro Holdings (SHM.ASX)	6.6%	6.3%
7	Stealth Group (SGI.ASX)	4.8%	4.5%
8	Matrix Composites (MCE.ASX)	4.8%	4.5%
9	PPK Group (PPK.ASX) inc. White Graphene pre-IPO holding & PPKME	4.7%	4.4%
10	SDI Limited (SDI.ASX)	4.6%	4.4%

Our largest 5 holdings comprise 44.4% of our invested capital, our top 10 holdings are 69.8% and our top 15 represent 88.1%. Cash and cash equivalents are 5.2% of the portfolio. The median market capitalisation is $150.4m. Weighted average market capitalisation is $509m.



As always, investors with any questions, suggestions, comments, or investment ideas should feel free to call (0418 278 298), or send me an email – Tony@egpcapital.com.au

Fund Features		Portfolio Analytics	
Min. initial investment	$50,000	Sharpe Ratio[1]	-0.16
Additional investments	$500k Maximum	Sortino Ratio[1]	0.23
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	17.8% 15.0%
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	57.0% 63.3%
Auditor	Ernst & Young	Cumulative return[2] – EGP Cumulative return[2] – Benchmark	18.2% 72.5%
Custodian/PB	NAB Asset Services	1-year return[2] – EGP 1-year return – Benchmark	13.7% 10.6%
Responsible Entity	Fundhost Limited	3-year annualised return[2] – EGP 3-year annualised – Benchmark	(2.0%) 8.6%
Fund Size	$39m	5-year annualised return[2] – EGP 5-year annualised – Benchmark	4.0% 8.6%
Mid-Price for EGPCVF Units Accumulated Franking per Unit	$0.9100 $0.0052	Buy Price for EGPCVF Units Sell Price for EGPCVF Units	$0.9114 $0.9086

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.

Appendix 1: -

Combined funds cumulative return since inception: