

SHAREHOLDERS' QUARTERLY REPORT

MARCH 2020

OBJECTIVE

Long-term capital growth and income

STRATEGY

High-conviction portfolio of quality Australian listed small to mid-cap companies constructed using a research driven, bottom-up investment philosophy

DIVIDEND INFORMATION

(Cents per share, fully franked)

1.75 cps on 20 March 2020
2.25 cps on 13 September 2019
1.50 cps on 20 March 2019
2.00 cps on 21 September 2018

COUNTRY WHERE LISTED

Australian Securities Exchange:
Inception 14 August 2014

STOCK EXCHANGE CODE

ASX: ECP

RATINGS

• Independent Investment Research
– Recommended¹

DIRECTORS

Murray d'Almeida
Non-Executive Chairman

David Crombie AM
Non-Executive

Jared Pohl
Executive

COMPANY SECRETARY

Brian Jones

COMPANY DETAILS

ECP Emerging Growth Limited
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PORTFOLIO PERFORMANCE

	3 m	1 Y	3 Y	5 Y	INCEPTION
ECP Portfolio [^]	-19.2%	-3.0%	10.8%	9.4%	10.2%
ASX All Ordinaries Index	-24.9%	-18.4%	-4.7%	-2.7%	-1.7%
[^] Source: ECP Asset Management. Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.					

During the quarter, the Company's Net Tangible Asset Value (NTA), as at 31 March 2020 (before estimated tax on unrealised gains) closed at 107.1 cents per share, posting -21.8% on the prior quarter. This compares with a -24.9% decrease in the ASX All Ordinaries Index.

INVESTMENT ACTIVITY

During the quarter, we reincluded Magellan Financial Group (ASX: MFG) into our portfolio as the valuation of the company became attractive following significant underperformance. We have removed Fisher & Paykel (ASX: FPH) due to valuation concerns and the company falling below our minimum return threshold; and Pushpay (ASX: PPH) due to concerns regarding their competitive environment.

MARKET COMMENTARY

At the close of 2019, markets performed well driven by reduced uncertainty of trade, improving consumer confidence, continued support by central banks and various geopolitical risks being mitigated. For most of us, the new year was expected to bring a relative sense of calm as we headed into a lower-growth world that was supported by improving business confidence and healthy consumer spending alongside the low unemployment backdrop. How wrong could we have been considering the broad impacts of COVID-19 and global attempts to 'flatten the curve'.

The spread of COVID-19 has profoundly affected global equity markets as stock markets fell from the increased uncertainty and the economic impact this event would have on local economies. Stock markets across the globe have suffered steep declines, and government bond yields fell as many investors flocked to safety. Around the world, central banks have unleashed a raft of measures aimed to support businesses and households while they attempt to contain the outbreak through strict lockdown procedures. Going forward, the balancing act of social distancing and recession risk will dominate equity market uncertainty.

In the US, the equity market declined significantly as the number of COVID-19 cases increased exponentially, reaching over 100,000 by quarter-end. Within the last month, US unemployment claims have grown to historical highs, growing to over nine million claims. In response, the US Federal Reserve cut their interest rates twice and ramped up their quantitative easing, and the government announced a \$2 trillion stimulus package. While the economic impact of COVID-19 remains unclear, government intervention is doing its best to lessen the fall. The S&P500 posted -20.0%, the Dow Jones -23.2% and the NASDAQ -14.2%.

Despite a reduction in uncertainty relating to Brexit, the election of a new ECB president and robust Germany economic data, the European stock markets were also struck hard by the spread of the virus, which has severely impacted the economies of all European nations. Italy and Spain have become two of the most affected countries, with all nations across Europe taking steps to shut down their economies and restrict the movement of people. The German Dax declined by 25.0%, the French CAC posted -26.5%, and the UK's FTSE posted -24.8%, by quarter-end.

In Australia, the baton of social responsibility amongst emergency workers was passed between our firefighters and medical professionals. With economic growth already slowing toward the end of 2019, the catastrophic bushfires further dampened segments of the economy. To compound this, the arrival of COVID-19 has had a sudden and immediate impact on economic activity, as has reduced trade, lower investment and household spending and rising unemployment with all contributing towards possibly our first recession in over 30 years. The Reserve Bank of Australia has cut interest rates twice this quarter to a record low of 0.25%. The Australian All Ords posted -24.9% for the quarter, and the Small Ordinaries posted -27.4%, respectively.

The AUD depreciated against all major currencies, posting -12.5% against the US Dollar (61.4 US cents), -6.5% against the Pound (49.5 pence), and -11.1% against the Euro (55.6 cents), by quarter-end.

PORTFOLIO CHARACTERISTICS (as at 31 March 2020)

NTA (Before tax on unrealised gains) – Total	\$19,621,304
NTA (Before tax on unrealised gains) – Per Share	107.1 cents
Concentration of the Top 20 Holdings	83.0%
Number of Portfolio Positions	24

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ECP ASSET MANAGEMENT

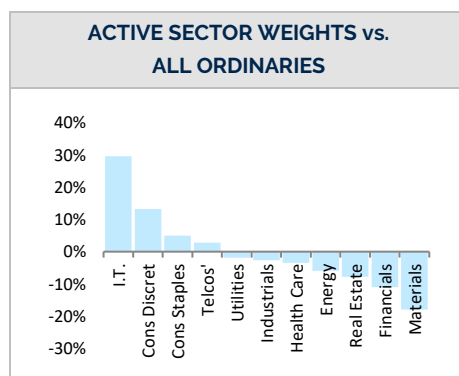
ABN 68 158 827 582

Our Investment Philosophy is based on the belief the economics of a business drives long-term investment returns. This is expressed through our investment process

- ✓ Valuing potential, not just performance
- ✓ Choosing high-quality growing businesses
- ✓ Ignoring temporary market turbulence

PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Information Technology	29.8%
Consumer Discretionary	18.6%
Financials	14.8%
Consumer Staples	9.6%
Cash	9.6%
Telecommunications	6.3%
Health Care	5.8%
Industrials	5.6%



TOP HOLDINGS	
MegaPort Limited	6.9%
Domino's Pizza Enterprises	6.2%
ResMed Inc	5.8%
Altium Limited	5.8%
SEEK Limited	5.6%
Afterpay Limited	5.5%
Xero Ltd	4.5%
HUB24 Ltd	4.2%

QUARTERLY PORTFOLIO CHANGES	
ADDITIONS	
Magellan Financial Group Ltd	MFG
REMOVALS	
Fisher & Paykel Healthcare	FPH
Pushpay Holdings Ltd	PPH

UPDATE: ZENITH INVESTMENT RATING & CHARITY GOLF DAY

During the quarter, the Company's Investment Manager and its distribution partner Copia began the process of attaining an external rating from one of Australia's leading investment ratings agency; Zenith Investment Partners. The rating will provide external endorsement of the Investment Manager and its stock selection process. The final rating is expected before the next quarter's report.

On March 5, the Company's Investment Manager hosted a Charity Golf Day in Sydney, which raised over \$20,000 for the Currumbin Wildlife Hospital. The event included 118 participants and was co-sponsored by Copia Investment Partners, The Principals Funds Management, Cutter & Buck Golf and Corporate Clothing as well as The Lakes Golf Club Sydney.

ECP Emerging Growth Limited is committed to growing the Company and promoting itself to Investors, Financial Advisers, Stockbrokers and Investor Associations across Australia. Please contact the Company for further information through info@ecpam.com

VISIT THE WEBSITE

The Company has a website which has additional information about ECP Emerging Growth Limited and links to Announcements and Reports at www.ecpam.com/emerging. Shareholders and interested observers may also wish to visit the website of the Investment Manager at www.ecpam.com for information regarding the investment team, process and other insights.

[Subscribe here to our latest updates](#)

STRUCTURE AND TERMS

Dividend Reinvestment Plan	Dividend Reinvestment Plan (DRP) is an optional way of reinvesting dividends to acquire additional shares. When new shares are issued under the DRP, they are free of brokerage, commission, stamp duty and other costs.
Legal Domicile	Australian Securities Exchange (ASX) Listed Investment Company (LIC)
Fees	Management Fee of 1.0% p.a. Performance Fee 20% of the annual outperformance over 8.0%.
MER ²	1.04%
Reporting and Correspondence	Monthly Net Tangible Asset Values www.asx.com.au and Quarterly Reports, Half-Yearly and Annual Reports on www.ecpam.com/emerging
Auditor	WPIAS Pty Ltd
Registry	Boardroom Pty Limited - 1300 737 760 OR enquiries@boardroomlimited.com.au
Share price and NTA	www.asx.com.au and www.ecpam.com/emerging

¹ This opinion is provided by Independent Investment Research and must be read together with the whole report including the disclaimer and relevant legal notices which can be found at www.independentresearch.com.au
² Calculated in accordance with ASX defined terms as at 30 June 2019



1 Initial Screening
Our filters exhibit ROE > 15%, Interest Cover > 4x and Revenue > GDP.

2 Fundamental Analysis
Understand the business model, look for organic growth opportunities that have a sustainable competitive advantage.

3 Portfolio Weighting
5Yr Risk Adjusted Total Return.

4 High Conviction
A concentrated portfolio of high-quality stocks.