



ECP EMERGING GROWTH LIMITED

4 June 2020

The Manager
Company Announcements Office
ASX Ltd
Exchange Centre
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

ECP Emerging Growth Limited - Retail Presentation as at 3 June 2020

For the benefit of our Shareholders and interested parties, attached is a retail presentation to be delivered on Thursday 4 June 2020 to various Brokers by the Investment Manager of ECP Emerging Growth Limited

Yours sincerely

ECP EMERGING GROWTH LIMITED

A handwritten signature in dark ink, appearing to be 'BJ', enclosed within a large, stylized, hand-drawn triangle.

Authorised by
Brian Jones
Company Secretary

FSI AND ECP UPDATE

Video Conference: 4 June 2020

At ECP, we think the only way to grow wealth that is resilient and sustainable, is to invest money in a careful, considered and committed way.



We are associated with three Listed Investment Companies



ECP

Emerging Growth Limited



FLAGSHIP INVESTMENTS LIMITED

COMPANY INFORMATION

FINANCIAL DATA

Year	2023	2022	2021	2020	2019
Revenue	1,234,567	1,123,456	1,012,345	901,234	890,123
Profit	234,567	223,456	212,345	201,234	190,123
Assets	5,678,901	5,567,890	5,456,789	5,345,678	5,234,567

GLOBAL MASTERS FUND LIMITED

PORTFOLIO PERFORMANCE

Period	Return	Volatility	Sharpe Ratio
1 Year	12.3%	15.4%	0.78
3 Year	8.9%	14.2%	0.65
5 Year	7.1%	13.8%	0.52

GLOBAL MASTERS FUND LIMITED

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FLAGSHIP INVESTMENTS

ECP

Performance, NTA & Dividend

Performance to 30 April 2023	1 Year	3 Month	6 Month	1 Yr	3 Yr	5 Yr	Since Inception
ECP Emerging Growth Limited	10.1%	15.4%	18.9%	1.1%	10.1%	10.1%	10.1%
BBPAC Small Cap Index	10.1%	15.4%	18.9%	1.1%	10.1%	10.1%	10.1%
Outperformance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

GLOBAL MASTERS FUND LIMITED

COMPANY INFORMATION

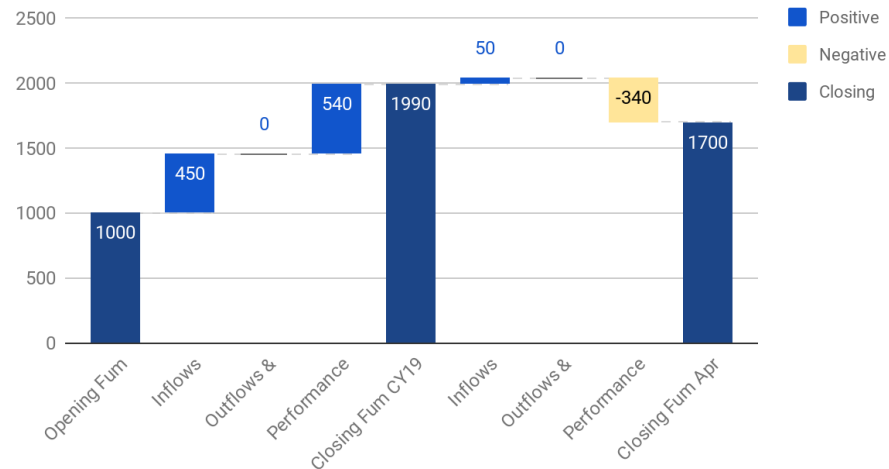
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ECP Asset Management Business Evolution

- 1) One new institutional mandate in CY19 & two further applications for current mandates in CY19; and
- 2) Q1CY20 further application by current client, currently awaiting a transition of a further \$80m, due prior to Q2CY20.
- 3) Recently awarded a Recommended Rating by both MERCER and Zenith supports further mandate pipeline and diversification of business.

FUM Growth CY19 & Q1 CY20



Performance of market cap segments since 2001

Year-end Size Range	All Ords \$0-\$133bn	Small cap \$0-\$1bn	Mid cap \$1bn-\$8bn	Large cap \$8bn-\$133bn
Dec-01	10%	2%	16%	11%
Dec-02	-8%	-9%	5%	-10%
Dec-03	16%	32%	23%	13%
Dec-04	28%	27%	43%	26%
Dec-05	21%	20%	23%	23%
Dec-06	25%	34%	26%	23%
Dec-07	18%	17%	17%	16%
Dec-08	-40%	-53%	-46%	-36%
Dec-09	40%	57%	36%	36%
Dec-10	3%	13%	4%	0%
Dec-11	-11%	-21%	-16%	-9%
Dec-12	19%	7%	13%	22%
Dec-13	20%	-1%	17%	22%
Dec-14	5%	4%	13%	5%
Dec-15	4%	10%	11%	1%
Dec-16	12%	13%	18%	11%
Dec-17	13%	20%	22%	10%
Dec-18	-4%	-9%	-7%	-2%
Dec-19	24%	21%	22%	24%
Years the best		3	10	6
Maximum	40%	57%	43%	36%
Minimum	-40%	-53%	-46%	-36%

- **Small and mid caps:**
 - Outperformed in 68% of years
 - have significantly greater variance of returns (tendency for higher highs and lower lows) –timing entry is very important
- **ECPAM objective** - *to identify well managed, high growth, small cap companies that will become mid and large caps over time*

Successful active management requires liquidity but an information advantage is a necessity

- The information advantage obtained by conducting forensic research of high quality growth businesses can produce superior investment performance over the long-term.
- Great investment opportunities occur when excellent companies are surrounded by unusual circumstances which reduces the entropy (lack of order or predictability) of the system and causes the equity to be mispriced.

Fundamental Research

There's no substitute for due diligence.

Through in-depth, detailed analysis, we come to a conclusion as to whether a business is a quality franchise, has a sustainable competitive advantage, is operating in a favourable industry and has the appropriate management in place to execute on an appropriate strategy.



THE SIX PILLARS OF A QUALITY FRANCHISE ARE INTERDEPENDENT & INTERRELATED

Investment Team



Dr Manny Pohl AM

Co-Founded ECP in 2012
Joined Industry in 1989



Andrew Dale CA

Joined ECP in 2014
Joined Industry in 2001



Damon Callaghan CFA

Joined ECP in 2017
Joined Industry in 2011



Jared Pohl MBA

Co-Founded ECP in 2012
Joined Industry in 2006



Sam Byrnes CFA

Joined ECP in 2016
Joined Industry in 2008



Jason Pohl MBA

Joined ECP in 2013
Joined Industry in 2013

Our Investment Philosophy

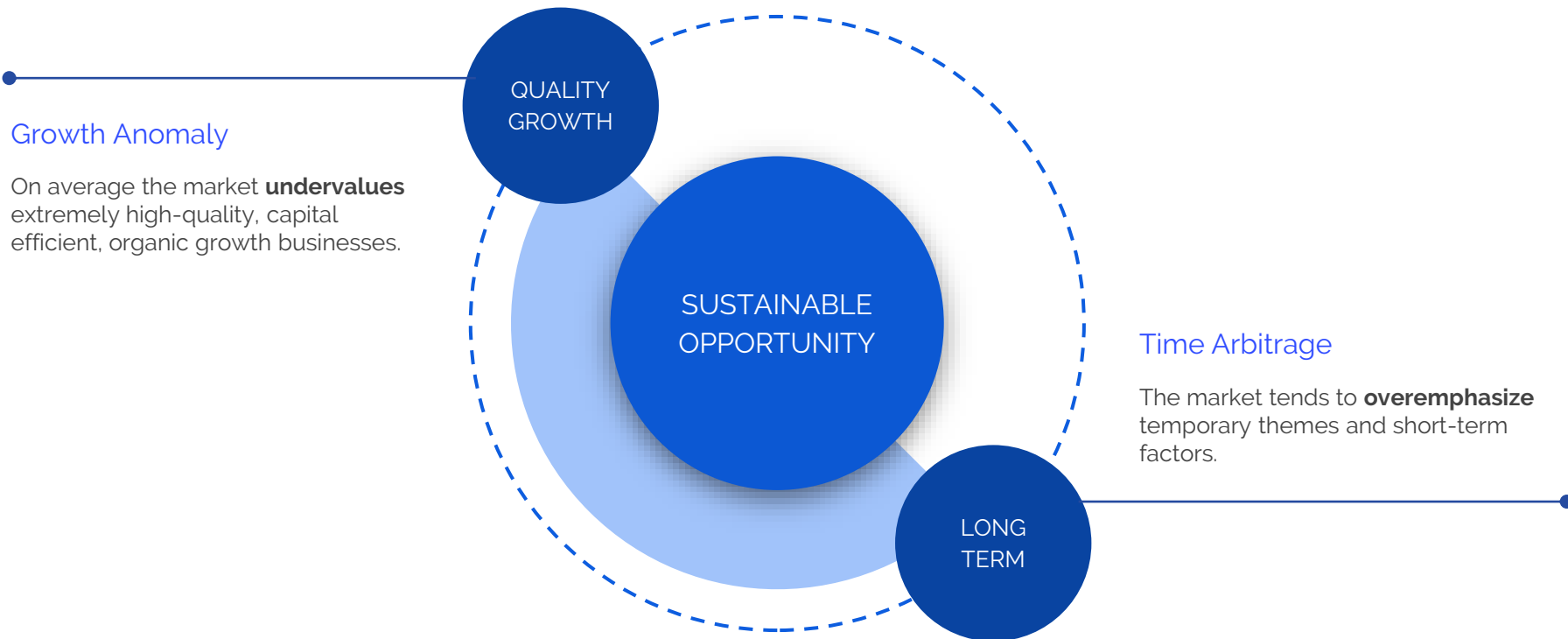
The economics of a business drives long-term investment returns.

Investing in **high quality, growth businesses**, that have the ability to generate predictable, above average economic returns will produce superior investment performance over the long-term.

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



Market Inefficiencies We Exploit



How are we handling Covid-19?

We have continued to apply our investment process diligently. Key points to note:

- 1) We did not decide to reposition the portfolio to Covid unaffected companies. Our investment process was naturally overweight companies that were better able to handle this 'demand' shock.
- 2) Coming into the year we had higher cash weights due to lower forecast IRR. As the IRR has climbed, our cash weights have reduced. We will deploy capital sensibly.
- 3) Covid-19 has flowed through to changes in our terminal PE's and our forecast earnings.

The portfolio has performed well considering the large drawdown.

- 1) Strong Alpha Generation through this period.
- 2) Exhibited a degree of capital protection from a growth manager.
- 3) Portfolio companies are arguably in better competitive positions now than they have ever been.

Portfolio Performance

Historical Performance to 31 May 2020

Product	3 Month	6 Month	1 Years	3 Years	5 Years	^ Inception
FSI	0.22	-3.66	8.21	14.96	11.44	12.32
All Ords Accumulation Index	-9.04	-14.12	-6.21	4.72	4.56	7.85
Alpha	9.26	10.46	14.42	10.24	6.88	4.47
ECP	10.63	5.63	22.34	21.23	15.72	15.31
Small Ords Accumulation Index	-1.91	-7.66	-2.91	7.51	6.59	6.05
Alpha	12.54	13.29	25.25	13.72	9.13	9.26

Past Performance is not a reliable indicator of future performance. The total return figures quoted are historical, calculated using end-of-month prices and do not allow the effects of tax or inflation. Total returns for the benchmark do not incur costs. Returns assume the reinvestment of all dividends. ^Inception of the FSI portfolio is 1 May 1998., ^Inception for ECP portfolio is 21 August 2014.

Talking Stocks: Top Five Holdings



FLAGSHIP	Weight %
<i>Rio Tinto</i>	6.69
<i>CBA</i>	6.32
<i>Macquarie Group</i>	5.93
<i>Domino's</i>	5.85
<i>Carsales.Com</i>	4.82

ECP

Emerging Growth Limited

ECP	Weight %
<i>Seek</i>	5.73
<i>Domino's</i>	5.70
<i>Altium</i>	5.68
<i>Afterpay</i>	5.59
<i>HUB24</i>	4.41

(31 May 2020)

Name Changes to Portfolio (YTD)

FSI (Allcap)	ECP (Ex50)
Sold	
Fisher & Paykel (FPH)	Fisher & Paykel (FPH)
Pushpay (PPH)	
Additions	
IDP Education (IEL)	IDP Education (IEL)
	Lifestyle Communities (LIC)
	Audinate Group (AD8)

Portfolio Decision **Sell - IRR below threshold**

FPH AU

Thesis - FPH will maintain and grow market share in their core products (ventilators and masks) and will increase penetration in hospitals for their Optiflow products.

- R&D investment into new designs and products
- Education of the market into better treatments
- Continued market share dominance

The SCA for FPH is driven by the following factors:

- Technological advancement
- Product innovation
- Brand awareness

Research

- [Research Report](#)
- [Company Notes](#)

COVID

How has COVID impacted the investment thesis?

- COVID has had a positive impact given the increased demand for ventilators and other breathing apparatuses. FPH is a leading manufacturer of these products and demand has been very strong and lead to 100% utilisation of their manufacturing facilities
- The Company has upgraded twice since the start outbreak of the virus in January 2020

What changes have we made to our forecasts or positioning?

- Our forecasts are above the market and reflect our positive view on the outlook. However, FPH has performed very well and this has meant the IRR has fallen below threshold for the Portfolio (~-10% irr).
- Accordingly, the stock has been sold down to 0% weight in the portfolio and will re-include it when the IRR is big enough to warrant re-inclusion.

Portfolio Decision Sell - Thesis Break

RWC AU

Thesis - Market leading position in 'Behind the Wall' plumbing supplies, particularly their SharkBite products in the Push to Connect (PTC) segment.

- Increasing penetration of Sharkbite and PTC fittings;
- Continued geographical expansion of product range (US);
- Expansion into new geographies.

SCA - What is the SCA basis?

- Organisational Resource
 - IP & Production processes, customer relationships and distribution.
- Reputational Resource
 - Brand of Quality and Reliability

Research

- [Research Report](#)
- [Company Notes](#)
- [Sell Motivation](#)

What changed about our thesis?

- Acquisition of John Guest Holdings
- Takeover was greater than 25% EV - material acquisition resulting in substantial changes in resource-base, strategy, management, and overall organisational complexity.
- Thesis is now about cross selling as opposed to market share gains within core Sharebite products.

End Result

- Sold RWC post the merger announcement at an average price of \$5.42
- Slowing growth in ANZ and weakness in Europe.
- US weather events did not materialise, impacting expectations for products (downside).
 - Lower sales volumes given growth not related to increasing penetration.
- Chairman (Founder) sold entire stake in RWC.



HYPOTHESIS

IDP is building a global student placement platform that is the largest and best place for students to find a place to study internationally, benefiting from the rising wealth in Asia. IDP has significant runway to reach 15% market share in its most mature markets. IDP's IELTS business is a necessity for students and contributes to IDP being the most trusted brand name in education

REVIEW TRIGGER

- 1) Market share loss in any destination market
- 2) LT damage to Source countries demand to study OS
- 3) ARPU declines in SP or IELTS

RECENT SUCCESS

- Taking significant market share. Into UK (China was +13% IDP +23%, India was +42% IDP +169%) into Australia India market was negative, IDP +15%

MAJOR CONCERN

- LT ability for Universities globally to adapt to continue accepting Students Post COVID
- Short term Australian Uni de-prioritising Int'l Student.
- PTE ability to scale up IELTS competition

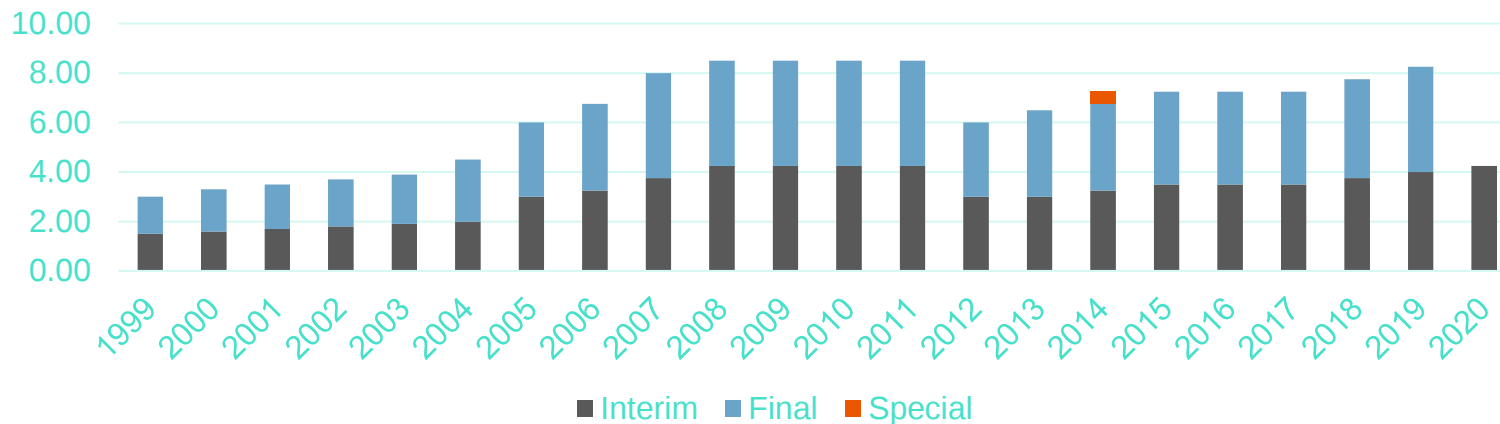
FSI and ECP Metrics (31 May 2020)

	FSI (All Cap)	ECP(EX 50)
Share Price	176 cents	103 cents
NTA	209.3 cents	137.5 cents
Discount	15.9%	25.1%
Dividend Yield	4.8%	3.9%

FSI Historical Dividends



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Dividend	8.50	8.50	6.0	6.5	6.75*	7.25	7.25	7.25	7.75	8.25	4.25
Chg %	0.0	0.0	-30.0	8.3	3.9	11.1	0.0	0.0	6.9	6.5	
CPI	3.10	3.60	1.20	2.40	3.00	1.5	1.0	1.9	2.1	1.6	

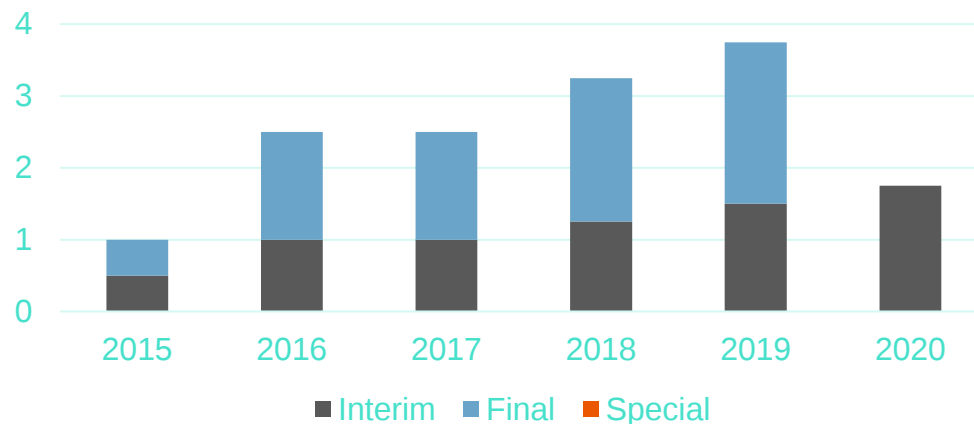


ECP Historical Dividends

ECP

Emerging Growth Limited

Year	2015	2016	2017	2018	2019	2020
Dividend	1.00	2.5	2.5	3.25	3.75	1.75
Chg %		150.0	0.0	30.0	15.4	
CPI	1.5	1.0	1.9	2.1	1.6	



Bottom Up Total Return Expectations

Our bottom up fundamental drivers for the portfolio as at 31 April 2020 is as follows:

	Forecast IRR (% pa)	EPS Growth ¹ (% pa)	Income ³ (% pa)	PE Expansion ² (% pa)
FSI (Allcap)	13.0%	13.6%	2.8%	-3.5%
ECP (ex50)	13.0%	16.1%	1.7%	-4.7%

1. Forecast weighted average EPS growth for companies in the portfolio.
2. Compound weight average annual PE expansion for Portfolio companies.
3. Estimated Dividend Yield of the portfolio.

Disclaimer

This presentation is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this presentation, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser.

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using end-of-month mid prices and do not allow for the effects of income tax or inflation. The performance is quoted net of all fees and expenses. The indices do not incur these costs. This information is provided for general comparative purposes.

