

SHAREHOLDERS' QUARTERLY REPORT

JUNE 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
• Zenith Investment Partners
– 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
ACN 167 689 821

Suite 305, Level 3
343 George Street
Sydney NSW 2000
AUSTRALIA

Tel: 1800 352 474
Fax: +61 2 8651 6899
Email: info@ecpam.com

ecpam.com/emerging

PORTFOLIO PERFORMANCE

	3 m	1 Y	3 Y	5 Y	INCEPTION
ECP Portfolio [^]	33.2%	22.7%	20.0%	17.2%	15.2%
ASX All Ordinaries Index	17.4%	-10.4%	1.4%	1.9%	1.1%
[^] Source: ECP Asset Management. Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.					

During the quarter, the portfolio performed extremely well (+33.2%) as shown above with the Company's Net Tangible Asset Value (NTA), as at 30 June 2020 (before estimated tax on unrealised gains) closing at 136.9 cents per share, up by 27.8% on the prior quarter. This compares with a 17.4% increase in the ASX All Ordinaries Index over the quarter.

INVESTMENT ACTIVITY

During the quarter, we added Audinate (ASX: AD8), IDP (ASX: IEL) and Lifestyle Communities (ASX: LIC) to the portfolio. We removed The A2 Milk Company (ASX: A2M) from the portfolio as the company had been included in the ASX50 Index and the ECP portfolio is restricted to investing in companies outside of the ASX50 Index.

MARKET COMMENTARY

After the fastest 30% decline in history which occurred in the March quarter, global markets were very strong over the June quarter producing the largest 50-day advance. This was driven by a number of key factors;

- Massive Government stimulus aimed at reducing the impact of COVID-19 on households.
- Regulatory relaxation on certain sectors to ensure that the hardship of an economic shutdown was minimised. This has been predominantly aimed at the Financial Sector.
- The gradual relaxation of social distancing rules has assisted in improving overall sentiment in the economy.
- A surge in technology related applications as individuals, households and businesses embraced the accelerated shift to online life.

These factors all saw markets post record returns for the quarter with US labour market and retail data supporting renewed optimism. The technology sector was particularly strong after what had been a substantial fall in the March Quarter. The Nasdaq was up 30.63% during the quarter and the S&P 500 was up 19.95%. Large technology names like Apple (+43.46%), Amazon (+41.50%), Facebook (+36.13%) and Google (+22.04%) really drove the rally as investors acquired not only technology exposures, but exposures to quality stocks that would benefit from an accelerated shift to an online world.

Australia has been one of the lucky countries, with lockdown measures proving to be highly successful in containing the virus with the focus now turning to strategies for economic recovery. It is worth noting that the financial system in Australia is in much better shape and the Government and Regulators are supportive in terms of their attempts to ensure a smooth recovery with the Reserve Bank of Australia holding its interest rate steady at 0.25%.

The Australian market delivered a solid performance with the ASX All Ordinaries Index up 17.4%. Contributions across sectors in Australia were vastly different. The leading contributors included; Information Technology +48.67%, Consumer Discretionary +30.11% and Energy +28.04%. The largest detractors included; Health Care +2.30%, Utilities +4.09% and Consumer Staples +7.17% - all sectors that performed strongly over the June quarter. The Midcap 50 performed strongly with the index up 30.14%, evenly spread between Industrials and Resources while the Small Ordinaries was also strong, up 23.47%.

PORTFOLIO CHARACTERISTICS (as at 30 June 2020)

NTA (Before tax on unrealised gains) – Total	\$25,072,341
NTA (Before tax on unrealised gains) – Per Share	136.9 cents
Concentration of the Top 20 Holdings	73.33%
Number of Portfolio Positions	26

SHAREHOLDERS QUARTERLY REPORT

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

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

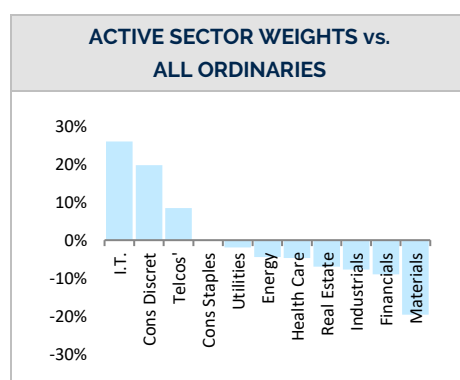
5Yr Risk Adjusted Total Return.

4 High Conviction

A concentrated portfolio of high-quality stocks.

PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Information Technology	25.4%
Consumer Discretionary	22.8%
Cash	16.4%
Financials	13.5%
Telecommunications	11.1%
Health Care	5.7%
Consumer Staples	5.1%
Industrials	0.0%



TOP HOLDINGS	
ResMed Inc	5.6%
Domino's Pizza Enterprises	5.2%
SEEK Limited	5.2%
Altium Limited	4.9%
Afterpay Limited	4.7%
Xero Limited	4.5%
HUB24 Limited	3.8%
IDP Education Limited	3.7%

QUARTERLY PORTFOLIO CHANGES	
ADDITIONS	
Audinate Group Limited	AD8
IDP Education Limited	IEL
Lifestyle Communities Limited	LIC
REMOVALS	
The A2 Milk Company Limited	A2M

ECP QUARTERLY REPORT - UPDATE:

During the quarter, the Company's Investment Manager and its distribution partner Copia received an external rating from one of Australia's leading investment ratings agency, Zenith Investment Partners. The rating of 'Recommended' is the second highest rating possible, and is quite a significant achievement given it is the Investment Manager's first rating. The rating provides external endorsement of the investment team and its stock selection process.

During the June quarter the Investment Manager also presented an update to Investors in a short video hosted by Copia, and now available on Youtube. Given the market uncertainty related to COVID-19 the video format provides another channel for the Investment Manager to keep Investors up to date. More similar activity is planned for the next quarter.

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 These opinions are provided by independent researchers and must be read together with the whole report including the disclaimer and relevant legal notices which can be found at the respective websites.

² Calculated in accordance with ASX defined terms as at 30 June 2019

