

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 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)

2.25 cps on 18 September 2020
1.75 cps on 20 March 2020
2.25 cps on 13 September 2019
1.50 cps on 20 March 2019

COUNTRY WHERE LISTED

Australian Securities Exchange:
Inception 14 August 2014

STOCK EXCHANGE CODE

ASX: ECP

RATINGS

• Independent Investment Research
– Recommended[†]

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

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PORTFOLIO PERFORMANCE

| | 3 m | 1 Y | 3 Y | 5 Y | INCEPTION |
|----------------------------|-------|-------|-------|-------|-----------|
| ECP Portfolio [^] | 11.0% | 44.4% | 27.3% | 18.3% | 19.5% |
| ASX All Ordinaries Index | 14.0% | 0.7% | 3.6% | 5.1% | 3.2% |

[^] 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 well (+11.0%) as shown above. The Company's Net Tangible Asset Value (NTA) as at 31 December 2020 (before estimated tax on unrealised gains) closed at 173.1 cents per share, up by 8.0% on the prior quarter, this compares with a 14.0% increase in the ASX All Ordinaries Index over the quarter.

INVESTMENT ACTIVITY

During the quarter, we added Serko (ASX: SKO) and Nuix (ASX: NXL) and we removed Baby Bunting (ASX: BBN). Serko is a founder led business which has built the leading technology platform to expand its footprint to become a global independent online booking tool for corporate travel. Nuix is a high-quality Australian technology company with a truly global opportunity set. Driven by an increasing amount and complexity of regulation, and data, Nuix has established itself as the gold standard in data processing.

MARKET COMMENTARY

2020 was unprecedented, challenging, and full of surprises - the past year will long be remembered as a tumultuous year of change. As the pandemic continued to spread, the speed and severity of lockdowns caused mass disruption to economies, and the resulting government stimulus saw an unprecedented rebound in equities. Globally, the news has been mixed, with the US and Europe seeing rising infections in the last quarter, with these economies losing momentum in their recovery. Despite this, most major economies have survived the pandemic with relatively little long-term economic damage.

In the US, a US\$900 billion stimulus package was announced in late December, with the Federal Reserve continuing its ultra-accommodative policies seeing a continuation of the current levels of quantitative easing. Equity markets responded well to vaccine news, with several vaccines to be made available throughout 2021. With this news, the markets have seen a rotation away from technology-heavy stocks towards more cyclical, defensive, and economically sensitive sectors. The S&P 500 posted +11.7%, the Dow Jones posted +10.2%, and the NASDAQ was up 15.4%.

In Australia, we have fared better than most countries in terms of the spread of COVID, the economic impact, and the ongoing social restrictions. The Reserve Bank of Australia (RBA) has kept interest rates at 0.1% and has continued its \$100 billion quantitative easing program. Governor Philip Lowe noted that the economy is now recovering much faster than expected, with the recovery being dependent on ongoing support from both fiscal and monetary policy.

Performance between sub-sectors was very mixed. The largest performers included Energy up 26.2%, Information Technology up 24.7% and Financials up 21.8%. The detractors included Utilities -7.1%, Health care -1.1% and Industrials + 4.6%. The ASX All Ordinaries posted +14.0% for the quarter, and the Small Ordinaries up +13.3%, respectively. The AUD appreciated against most currencies during the quarter, posting +7.4% against the US Dollar (77.0 US cents), +1.6% against the Pound (56.3 pence), and +3.0% against the Euro (63.0 cents).

PORTFOLIO CHARACTERISTICS (as at 31 December 2020)

| | |
|--|--------------|
| NTA (Before tax on unrealised gains) – Total | \$31,709,484 |
| NTA (Before tax on unrealised gains) – Per Share | 173.1 cents |
| Concentration of the Top 20 Holdings | 83.38% |
| Number of Portfolio Positions | 28 |

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ECP ASSET MANAGEMENT

ABN 68 158 827 582

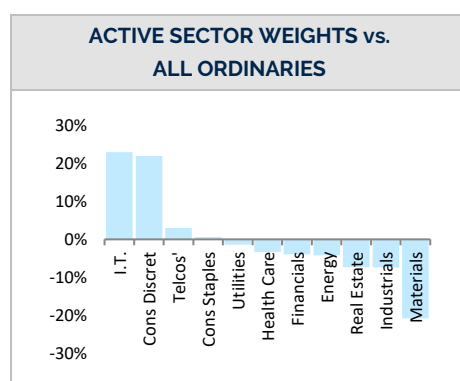
Our Investment Philosophy is based on the belief the economics of a business drives long-term investment returns. This is expressed through our investment process

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

PORTFOLIO BREAKDOWN

| SECTOR ALLOCATION | |
|------------------------|-------|
| Consumer Discretionary | 28.1% |
| Information Technology | 26.7% |
| Financials | 19.6% |
| Telecommunications | 7.6% |
| Health Care | 6.1% |
| Cash | 6.1% |
| Consumer Staples | 5.8% |
| Industrials | 0.0% |

| TOP HOLDINGS | |
|--------------------------|------|
| Magellan Fin Group Ltd | 7.2% |
| HUB24 Ltd | 6.9% |
| ResMed Inc | 5.9% |
| Lovisa Holdings Ltd | 5.5% |
| Domino Pizza Enterprises | 5.5% |
| Corporate Travel Limited | 5.4% |
| Afterpay Limited | 4.7% |
| Altium Limited | 4.6% |



| QUARTERLY PORTFOLIO CHANGES | |
|-----------------------------|-----|
| ADDITIONS | |
| Nuix Limited | NXL |
| Serko Ltd | SKO |
| REMOVALS | |
| Baby Bunting Group Ltd | BBN |

ECP QUARTERLY REPORT - UPDATE:

INVESTMENT MANAGER UPDATES INVESTORS THROUGH PHYSICAL & VIRTUAL EVENTS.

During the quarter, the Company's Investment Manager presented investment updates both at a boardroom briefing in Adelaide (November) and a webinar (December). Both events were hosted by the Investment Manager's distribution partner Copia and focused on the investment strategy and recent performance particularly in light of the COVID crisis. The presentation also highlighted attractive stock opportunities that the Investment Manager sees going forward.

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 | 1.07% |
| 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 | Connect National Audit 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 2020

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.

