

## SHAREHOLDERS' QUARTERLY REPORT

MARCH 2021

### 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)

2.00 cps on 12 March 2021  
2.25 cps on 18 September 2020  
1.75 cps on 20 March 2020  
2.25 cps on 13 September 2019

### COUNTRY WHERE LISTED

Australian Securities Exchange:  
Inception 14 August 2014

### STOCK EXCHANGE CODE

ASX: ECP

### RATINGS

• Independent Investment Research  
– Recommended<sup>1</sup>

### 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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AUSTRALIA

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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 <sup>^</sup>	1.2%	80.9%	29.3%	20.1%	18.9%
ASX All Ordinaries Index	2.4%	37.3%	6.1%	6.4%	3.4%
<sup>^</sup> Source: ECP Asset Management. Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.					

During the quarter, ECP Emerging Growth Limited paid an Interim Dividend of 2.0 cents per share, a 14.3% increase on the prior year. The Company's Net Tangible Asset Value (NTA) as at 31 March 2021 (before estimated tax on unrealised gains) closed at 165.8 cents per share after payment of the dividend, this represents a decrease of 4.2% on the prior quarter.

## INVESTMENT ACTIVITY

During the quarter, we re-included Fisher and Paykel (ASX: FPH) into our portfolio and removed Afterpay Limited (ASX: APT), Synlait Milk Ltd (ASX: SM1), and Xero Ltd (ASX: XRO). Fisher and Paykel has been part of our model portfolio for several years, and during the quarter the rotation from growth to value saw an opportunity to reinclude the stock at a more attractive valuation. Both Afterpay and Xero were removed from the portfolio due to both companies growing into the top 20 and top 50 part of the index, respectively. Synlait was removed from the portfolio given the thesis has changed from when we originally invested.

## MARKET COMMENTARY

Despite the considerable ongoing uncertainty, global markets were stronger during the March quarter but volatility intra month and intra quarter was extremely high. With COVID seemingly less of an issue now, investor focus shifted to inflationary concerns and the impact on interest rates which in turn saw a large rotation from growth related stocks to value related stocks.

In the US, hopes for progress against Covid-19 with the vaccine rollout, ongoing fiscal support, and the recent election of President Joe Biden has seen investors proceed with a sense of optimism for the new year. This quarter has seen some traditionally value-laggard stocks outperform, with the richly valued growth stocks fading. Companies that are tied to the US economy and dividend-paying stocks were amongst the best performers. Interestingly, the US market witnessed unusual, highly targeted trading activity, which saw unprecedented incidents such as the short squeeze involving GameStop. President Biden confirmed a fiscal stimulus package of \$1.9 billion and \$2.0 trillion infrastructure spending.

Australia underperformed during the quarter and was impacted by the political uncertainties that have been created by the COVID pandemic. While Australia has proven to be very successful in managing the virus, ongoing inter-state lockdowns have created uncertainty on the performance of large sectors of the market especially education and tourism. Equity markets have witnessed the growth to value rotation, while battling through flat consumer confidence despite strong economic indicators.

Performance between sub-sectors was very mixed. The best performers included Consumer Staples +11.6%, Communication Services +9.8%, and Financials +6.8%. The detractors included Industrials -10.9%, Energy -4.3%, and Healthcare -2.3%. The ASX All Ordinaries posted +2.4% for the quarter, and the Small Ordinaries up +1.3%, respectively. The AUD had mixed performance during the quarter, posting -1.3% against the US Dollar (76.0 US cents), -2.1% against the Pound (55.1 pence), and +2.8% against the Euro (64.8 cents).

## PORTFOLIO CHARACTERISTICS (as at 31 March 2021)

NTA (Before tax on unrealised gains) – Total	\$30,375,687
NTA (Before tax on unrealised gains) – Per Share	165.8 cents
Concentration of the Top 20 Holdings	81.43%
Number of Portfolio Positions	26

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#### ECP ASSET MANAGEMENT

ABN 68 158 827 582

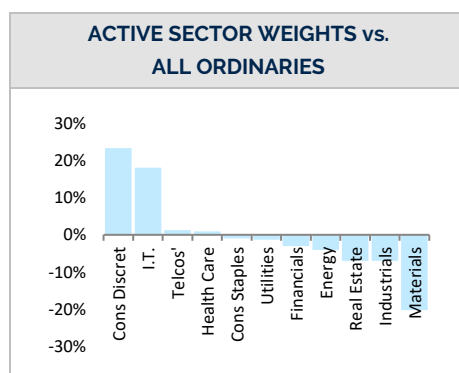
Our Investment Philosophy is based on the belief the economics of a business drives long-term investment returns. This is expressed through our investment process.

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

### PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Consumer Discretionary	28.8%
Financials	21.6%
Information Technology	21.0%
Cash	9.5%
Health Care	9.4%
Telecommunications	5.8%
Consumer Staples	3.9%
Industrials	0.0%

TOP HOLDINGS	
HUB24 Ltd	8.0%
Magellan Fin Group Ltd	6.2%
Lovisa Holdings Ltd	6.1%
ResMed Inc	5.6%
Corporate Travel Limited	5.4%
PWR Holdings Limited	4.8%
Altium Limited	4.8%
Domino Pizza Enterprises	4.5%



QUARTERLY PORTFOLIO CHANGES	
<b>ADDITIONS</b>	
Fisher & Paykel Healthcare Corp Ltd	FPH
<b>REMOVALS</b>	
Afterpay Limited	APT
Synlait Milk Ltd	SM1
Xero Ltd	XRO

### ECP QUARTERLY REPORT - UPDATE:

#### INVESTMENT MANAGER UPDATES INVESTORS IN EARLY 2021.

During the quarter, the Company's Investment Manager presented investment updates to both high net-worth investors and a researcher/financial adviser audience in February. Both events were held in Melbourne and were hosted by the Investment Manager's distribution partner Copia. The briefing for the high net-worth audience 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. The briefing for the research/adviser included recent analysis by the Investment Manager on the topic of skill versus luck - how to tell if an investment manager has generated true alpha, or is just lucky. Both events were well attended with positive feedback.

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](mailto:info@ecpam.com) or visit our website [www.ecpam.com/emerging](http://www.ecpam.com/emerging) for links to Shareholder Announcements & Reports.

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### 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 <sup>2</sup>	1.07%
Reporting and Correspondence	Monthly Net Tangible Asset Values <a href="http://www.asx.com.au">www.asx.com.au</a> and Quarterly Reports, Half-Yearly and Annual Reports on <a href="http://www.ecpam.com/emerging">www.ecpam.com/emerging</a>
Auditor	Connect National Audit Pty Ltd
Registry	Boardroom Pty Limited - <b>1300 737 760</b> OR <a href="mailto:enquiries@boardroomlimited.com.au">enquiries@boardroomlimited.com.au</a>
Share price and NTA	<a href="http://www.asx.com.au">www.asx.com.au</a> and <a href="http://www.ecpam.com/emerging">www.ecpam.com/emerging</a>

<sup>1</sup> 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.  
<sup>2</sup> 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.

