

SHAREHOLDERS' QUARTERLY REPORT

DECEMBER 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)

2.75 cps on 15 September 2021
2.00 cps on 12 March 2021
2.25 cps on 18 September 2020
1.75 cps on 20 March 2020

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

Scott Barrett

COMPANY DETAILS

ECP Emerging Growth Limited
ACN 167 689 821

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AUSTRALIA

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ecpam.com/emerging

PORTFOLIO PERFORMANCE

	3 m	1 Y	3 Y	5 Y	INCEPTION
ECP Portfolio [^]	-4.9%	16.9%	33.8%	23.4%	19.1%
ASX All Ordinaries Index	2.0%	13.6%	10.9%	6.4%	4.5%
[^] Source: ECP Asset Management. Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns.					

ECP Emerging Growth Limited's Net Tangible Asset Value (NTA) as at 31 December 2021 (before estimated tax on unrealised gains) closed at 180.2 cents per share, this represents a decrease of 4.6% on the prior quarter. This under-performance of the portfolio is due to our high PE growth stocks coming under pressure in an environment of rising inflation and increased interest rates.

INVESTMENT ACTIVITY

During the quarter, we added GQG Partners (ASX: GQG), Judo (ASX: JDO) and Nanosonics (ASX: NAN). GQG and JDO were IPO's we participated in and which exhibit high-quality characteristics with strong growth profiles. We removed ARB Corp (ASX: ARB), Magellan Financial Group (ASX: MFG), Pendal Group (ASX: PDL) and Resmed (ASX: RMD). GQG remains in the growth phase of its lifecycle as it continues to deepen global distribution, while MFG and PDL have been removed due to lower conviction surrounding their business models and future growth prospects. ARB was sold due to valuation concerns while Resmed, after inclusion in the ASX/S&P500 Index, had to be removed from the portfolio.

MARKET COMMENTARY

By year end, global equities were stronger as investors focused on economic resilience and corporate earnings, despite the ongoing volatility caused by Covid-19. The rising Covid case numbers seemed to become less of a concern for investors as the new variants seem to result in less severe symptoms. Across the world, service-based sectors appear to be losing their positive momentum, while manufacturing sentiment has continued to remain resilient despite supply constraints and rising input prices. The strength in corporate earnings outlooks, combined with easing supply chain pressures have seen investors remain positive as we head into the new year where monetary policy normalization and inflation issues are becoming of central importance.

In the US, by quarter-end, equities posted robust gains as the economy remained stable with unemployment falling to 4.2% and corporate earnings remained robust. Bond markets have priced for monetary policy normalization, with short-dated bond yields rising more than their longer-dated counterparts indicating concerns regarding resilience to interest rate rises and sustained inflation. The S&P500 posted +10.6% while the Nasdaq posted +8.3%, by quarter-end.

In Australia, investors have been acutely focused on the policy settings by the Reserve Bank of Australia (RBA) with growth related sectors underperforming. The RBA made no changes to monetary policy during the quarter; however, they have indicated a re-evaluation in February. The RBA noted improvements in the economy, with unemployment falling to 4.6% while housing prices appear to be moderating. The ASX All Ordinaries posted +2.0% for the quarter, ASX 200 +1.5%, the Midcap 50 +5.5% and the Small Ordinaries was +1.6%, respectively. The AUD appreciated during the quarter, posting +0.6% against the US Dollar (72.7 US cents), +0.1% against the Pound (53.7 pence), and +2.4% against the Euro (63.9 cents).

PORTFOLIO CHARACTERISTICS (as at 31 December 2021)

NTA (Before tax on unrealised gains) – Total	\$33,016.897
NTA (Before tax on unrealised gains) – Per Share	180.2 cents
Concentration of the Top 20 Holdings	87.2%
Number of Portfolio Positions	25

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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

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

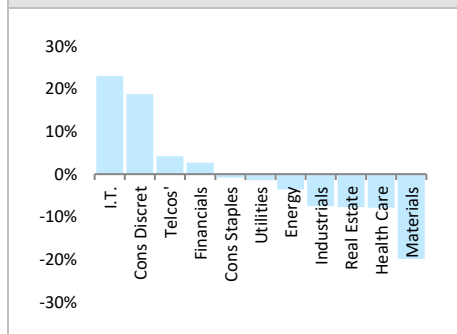
A concentrated portfolio of high-quality stocks.

PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Financials	26.7%
Information Technology	26.3%
Consumer Discretionary	25.4%
Telecommunications	8.8%
Cash	7.2%
Consumer Staples	3.6%
Health Care	2.0%
Industrials	0.0%

TOP HOLDINGS	
GQG Partners	7.8%
HUB24 Ltd	6.7%
Netwealth Group	6.7%
PWR Holdings Limited	6.6%
MegaPort Limited	6.3%
Lovisa Holdings Ltd	6.1%
Carlaes.com	5.1%
Altium Limited	4.8%

ACTIVE SECTOR WEIGHTS vs. ALL ORDINARIES



QUARTERLY PORTFOLIO CHANGES

ADDITIONS

GQG Partners	GQG
Judo Cap Holdings	JDO
Nanosonics Limited	NAN

REMOVALS

ARB Corporation	ARB
Magellan Financial Group Ltd	MFG
Pendal Group Ltd	PDL
ResMed	RMD

ACTIVELY PROMOTING THE COMPANY

During the quarter, the Company's Investment Manager participated in two webinars focusing on the need to rethink the prevailing descriptions of growth versus value investment styles. The webinars were designed as investment education sessions and featured both theoretical and practical applications of the topic. One webinar was hosted by the Investment Manager's distribution partner, Copia Investment Partners, while the other was hosted by an Australian financial planning group, in concert with Copia. An article discussing the webinar topic "Value versus growth – a conversation that is out of style" can be downloaded from the Investment Manager's website.

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 or visit our website www.ecpam.com/emerging for links to Shareholder Reports and Announcements.

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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 ²	1.11%
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 2021

