

SHAREHOLDERS' QUARTERLY REPORT

MARCH 2022

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)

2.10 cps on 15 March 2022
2.75 cps on 15 September 2021
2.00 cps on 12 March 2021
2.25 cps on 18 September 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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PORTFOLIO PERFORMANCE

	3 m	1 Y	3 Y	5 Y	INCEPTION
ECP Portfolio [^]	-14.8%	-1.6%	20.0%	19.6%	16.0%
ASX Small Ordinaries Index	-5.1%	7.0%	6.9%	7.0%	5.5%
ASX All Ordinaries Index	0.1%	11.0%	7.5%	5.7%	4.4%
[^] 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 March 2022 (before estimated tax on unrealised gains) closed at 144.8 cents per share, this represents a decrease of 19.6% on the prior quarter. As noted further below, the portfolio value remains under pressure due to rising inflation and likely increases in interest rates, while the interim dividend of 2.1cps was also paid during the quarter.

INVESTMENT ACTIVITY

During the quarter, we re-included ARB Corp (ASX: ARB) to the portfolio due to the valuation becoming more attractive, while Seek (ASX: SEK) was sold after inclusion in the ASX/S&P50 Index.

MARKET COMMENTARY

The start of 2022 has presented an unpredictable, yet not unprecedented, set of geopolitical events that have plagued world markets. At year-end, manufacturing sectors had proven resilient in the face of ongoing restrictions. The new year saw a return to service-based sectors – building strong support for economic momentum. Globally, concerns are centered on the lower growth environment than inflationary fears due to a supply-side, rather than demand-side, shock resulting from Covid and the Russia-Ukrainian war. The war continues to amplify energy and food price issues, and continued disruptions to global supply chains suggest that inflation will continue to rise.

In the US, economic activity slowed sharply during the quarter as Covid variants swept across the country and increased concern over the Federal Reserve's asset tapering. Bond markets have priced for monetary policy normalisation, with short-dated bond yields rising more than their longer-dated counterparts indicating concerns regarding resilience to interest rate rises and sustained inflation. While equity markets had begun to price monetary policy normalisation before the Russian invasion, the Federal Reserve's indication of six rate hikes in 2022 will continue to pressure equities. During the quarter, unemployment fell to 3.6%, and wage growth has not kept up with inflationary pressures, with US inflation reaching +7.9% in February. The S&P500 posted -5.0% while the Nasdaq posted -9.1% by quarter-end.

In Australia, investors flocked toward defensive sectors, with growth-related sectors facing increased pressure. Energy and consumer staples were key outperformers, while IT and consumer discretionary were the poorest performers. The Reserve Bank of Australia (RBA) held onto their policy settings despite seemingly taking a hawkish view considering the inflationary environment. Wage growth is increasingly moving into the spotlight, as wage growth remains below inflation and well below in real terms. Unemployment is stable at 4.2%, while the housing market appears to be softening in major markets. The ASX All Ordinaries posted +0.1% for the quarter, ASX 200 +0.7%, the MidCap 50 -3.5%, and the Small Ordinaries was -5.1%, respectively. The AUD appreciated during the quarter, posting +3.0% against the US Dollar (74.8 US cents), +6.0% against the Pound (57.0 pence), and +5.8% against the Euro (67.6 cents).

PORTFOLIO CHARACTERISTICS (as at 31 March 2022)

NTA (Before tax on unrealised gains) – Total	\$26,530,776
NTA (Before tax on unrealised gains) – Per Share	144.8 cents
Concentration of the Top 20 Holdings	83.8%
Number of Portfolio Positions	25

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MANAGER:

ECP ASSET MANAGEMENT

ABN 68 158 827 582

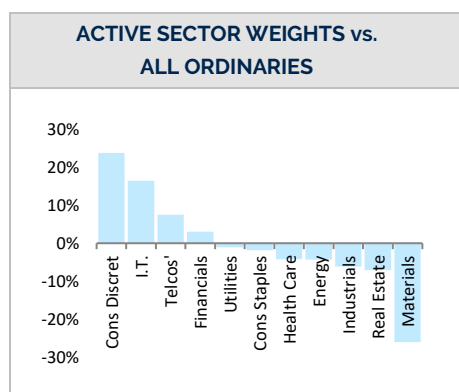
Our Investment Philosophy is based on the belief the economics of a business drives long-term investment returns. This is expressed through our investment process.

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

PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Consumer Discretionary	27.8%
Financials	25.9%
Information Technology	18.6%
Telecommunications	10.8%
Cash	10.8%
Health Care	3.8%
Consumer Staples	2.3%
Industrials	0.0%

TOP HOLDINGS	
Netwealth Group	8.4%
GQG Partners	7.8%
Domino Pizza Enterprises	7.6%
REA Group	5.6%
Idp Education Ltd	5.5%
HUB24 Ltd	5.4%
Corporate Travel Limited	5.4%
Carlaes.com	5.1%



QUARTERLY PORTFOLIO CHANGES	
ADDITIONS	
ARB Corporation	ARB
REMOVALS	
Seek Limited	SEK

ACTIVELY PROMOTING THE COMPANY

During the quarter, the Company's Investment Manager participated in two presentation events for Australian financial advice practices that discussed the factors that are critical for business success. The first event involved a panel discussion with other industry experts while the second event was a recorded video for another financial group. The topic was aimed at helping financial advice practices build successful business models, drawing on the past successes and challenges experienced by the Company's Investment Manager as part of their own journey. Both events were arranged in concert with Copia Investment Partners, the Investment Manager's national distribution partner.

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.

[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	1.11%
Reporting and Correspondence	Monthly Net Tangible Asset Values www.asx.com.au and Quarterly Reports, Half-Yearly and Annual Reports at 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

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.

