

SHAREHOLDERS' QUARTERLY REPORT

JUNE 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 [^]	-19.1%	-28.1%	9.9%	13.6%	12.4%
ASX Small Ordinaries Index	-20.8%	-21.6%	-2.2%	2.3%	2.2%
ASX All Ordinaries Index	-13.4%	-11.1%	0.2%	3.2%	2.3%

[^] 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 30 June 2022 (before estimated tax on unrealised gains) closed at 115.8 cents per share, this represents a decrease of 20.0% on the prior quarter. As noted further below, the portfolio value remains under pressure due to rising inflation and increases in interest rates by central banks in response to inflation.

INVESTMENT ACTIVITY

During the quarter, we did not include any new investments in our portfolio, however, we removed WiseTech Global (ASX: WTC). WiseTech was removed due to valuation reasons whereby our expected Internal Rate of Return (IRR) has become less attractive relative to other names within the model portfolio. Our thesis remains intact however and we eagerly await on the sidelines for a more attractive valuation.

MARKET COMMENTARY

Equity markets in the fourth quarter have been under pressure as investor sentiment turned increasingly downbeat due to heightened concerns regarding global inflation and ongoing supply chain issues, accentuated by the Ukraine crisis, could see the world move into a recession. Equity markets have priced in interest rate rises and the potential recessionary risks, driving substantial declines in equity valuations. Inflation has continued to be a major issue for most major economies, with several central banks taking appropriate action. This year, the policy response has been far more rapid than previously thought in 2021.

In the US, investors are primarily focused on inflationary fears and the Federal Reserve's policy responses. The US equity market has recorded its worst first half period in 60 years, shifting the market into bear territory. The Fed has signaled more rate hikes to come, noting the difficulty of bringing down inflation without triggering a recession. Despite the economy slowing and early signs of a recession, the US labour market continues to remain strong. During the quarter, unemployment held steady at 3.6%, and wage growth has not kept up with inflationary pressures, with US inflation rising +8.6% compared to a year ago. The S&P500 posted -16.5%, while the Nasdaq posted -22.4% by quarter-end.

In Australia, cost of living pressures continues to rise, however, retail sales remain resilient. The Reserve Bank of Australia (RBA) increased interest rates by 50 bps in June, as inflation continues to be a key issue. In Australia, our quarterly inflationary statistics seemed to lag compared to our US and European counterparts, with +2.1% posted in the prior quarter, bringing inflation to 5.1% for the year ending March-quarter. The unemployment rate remained stable at 3.9%, while the participate rate rose to 66.7%.

The ASX All Ordinaries posted -13.4% for the quarter, ASX 200 -12.4%, the Midcap 50 -15.0%, and the Small Ordinaries was -20.8%, respectively. The AUD depreciated during the quarter, posting -7.7% against the US Dollar (69.0 US cents), -0.5% against the Pound (56.7 pence), and -2.6% against the Euro (65.9 cents).

PORTFOLIO CHARACTERISTICS (as at 30 June 2022)

NTA (Before tax on unrealised gains) – Total	\$21,240,712
NTA (Before tax on unrealised gains) – Per Share	115.8 cents
Concentration of the Top 20 Holdings	87.4%
Number of Portfolio Positions	24

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JUNE 2022

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.

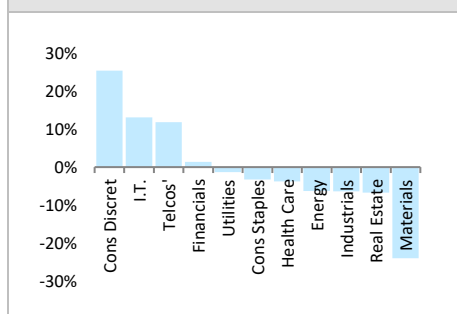
- ✓ Valuing potential, not just performance
- ✓ Choosing high-quality growing businesses
- ✓ Ignoring temporary market turbulence

PORTFOLIO BREAKDOWN

SECTOR ALLOCATION	
Consumer Discretionary	29.5%
Financials	24.9%
Telecommunications	15.3%
Information Technology	15.2%
Cash	8.1%
Health Care	5.4%
Consumer Staples	1.6%
Industrials	0.0%

TOP HOLDINGS	
GQG Partners	9.5%
Carlaes.com Limited	8.3%
Domino Pizza Enterprises	7.6%
REA Group	6.6%
Lovisa Holdings Ltd	6.3%
Netwealth Group	6.0%
HUB24 Ltd	5.8%
Idp Education Ltd	5.5%

ACTIVE SECTOR WEIGHTS vs. ALL ORDINARIES



QUARTERLY PORTFOLIO CHANGES

ADDITIONS

REMOVALS

WiseTech Global Ltd

WTC

ACTIVELY PROMOTING THE COMPANY

During the quarter, the Company's Investment Manager participated in a roadshow hosted by its distribution partner, Copia Investment Partners. The events were held in Sydney, Melbourne, Brisbane and the Gold Coast with an audience consisting of mainly financial advisers and industry consultants. The Investment Manager presented on its philosophy, including how the economics of a business drives long-term investment returns, as well as several case studies of stocks that have attractive attributes. During the quarter the Investment Manager also published an article "Lifecycle of Sustainable Competitive Advantages" drawing on Block as a case study. The article is designed to help educate investors while also further building the profile of the Investment Manager.

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	1.65%
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 2022

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.

