



## **Chairman's Address – Annual General Meeting**

**Thursday 17 November 2022**

Fellow Shareholders, Ladies and Gentlemen, it gives me great pleasure to present the Annual Chairman's Report of ECP Emerging Growth Limited.

### **THE YEAR IN REVIEW**

The financial year began with concerns regarding the new Omicron COVID variant. However, in the wake of the vaccination rollout the sentiment shifted towards "living with the virus" and business operations could return to normal. In early 2022 disruption came from the Russian invasion of the Ukraine and the potential impact on Europe and the World if the conflict escalated. But it was the realisation that inflation was becoming entrenched rather than transitory that had the biggest impact on equity markets.

Persistent inflation was the catalyst for the Reserve Bank rising rates much earlier than was forecast at the start of the financial year. Rising interest rates have a negative impact on stocks as the discount rate increases for future cashflows, this in turn decreases the value of the investee business or the price that one might pay for future earnings. The growth stocks that comprise our portfolio have been impacted by this feature more than traditionally categorised "value stocks". At the end of FY2022 our portfolio performance was negative 28.1% compared to the ASX Small Ordinaries Index which declined 21.6%.

### **MARKET OUTLOOK**

As we progress into the new financial year, the reporting season has been pleasing and dividends have been received commensurate with the performance of our investee businesses. The Australian economy appears to be in relatively good shape, with the RBA balancing the fight against inflation with tactical monetary policy. As at 31 October 2022 our portfolio performance has been a positive 12.2% while the ASX Small Ords Index has increased by 4.8%.

We do remain cautious in our outlook, believing that there will be further volatility ahead. We are therefore grateful for the skilful execution of our investment strategy by ECP Asset Management. While the hype and noise of the daily market movements persist, the team at ECP maintain strict adherence to the investment process, and continually review the long term prospects of our investee companies.

# ECP

## DIVIDEND

The Board decided to maintain the final dividend of 2.75 cents per share, bringing the total FY2022 dividend to 4.85 cents per share. These dividends were fully franked and fully attributable to LIC Capital Gains providing tax benefits to shareholders.

The company is in the enviable position of sufficient reserves to maintain the current dividend for a further 5 years, a benefit of the closed-end LIC structure, and the Board will continue to pay dividends commensurate with the performance of our investments.

## THE BOARD

I wish to record my appreciation for my fellow Board members for their support and input throughout the past year. We continue to see a number of factors impacting the financial markets, global stability, data security and local environment, and the Board continues to navigate these issues for the benefit of our Shareholders.

In conclusion, I sincerely thank our Shareholders and Noteholders for their on-going support. Long-term, supportive shareholders are the backbone of any business, they understand the operations, command management accountability and focus on long-term results, we are humbled to serve our dedicated Shareholders.



**Murray d'Almeida**

Chairman

17 November 2022