

ELVEST

The Elvest Fund

Monthly Report - April 2024

Commentary

The Elvest Fund returned -1.6% for April, versus the Benchmark return of -3.1%. Since inception, the Fund has returned a total of 38.9% after fees, ahead of the benchmark return of 4.6%. The Fund closed the month with approximately 7% of assets held in cash.

April was another volatile month for equity markets, with macro-economic factors weighing on risk assets. Data released during the month signalled further wage pressures, complicating the efforts of central banks to reduce inflation to targeted levels.

Higher than expected inflation and generally resilient economic data have pushed out the timing of expected rate cuts, both in the US and in Australia, and has some even contemplating whether an additional rate hike may yet be required. As a result, both Government bond yields and gold (no exposure) surged higher during the month.

Key contributors for the month were RPMGlobal (RUL) and Navigator Global Investments (NGI). The main detractors were Johns Lyng (JLG) and Neuren Pharmaceuticals (NEU).

RUL rallied on no news, though its buyback program continued steadily throughout the month. NGI released an encouraging March quarter AUM update, and continued to rally from a price that wasn't sensibly reflecting its strengthened business and level of sustainable free cash flow.

Both JLG and NEU fell on no material news. We added to each position on share price weakness.

Nick Scali (NCK) had an interesting round trip during the month, ultimately finishing marginally higher. We increased our position on weakness early in the month. Subsequently the stock bounced back after announcing the acquisition of UK-based Fabb Furniture.

The move signals a new era for NCK, for two primary reasons. Firstly, this was the first time the company has raised capital since listing on the ASX in 2004, with its 81 million shares on issue unchanged for about two decades.

NCK has long been a model of self-funded growth, using only internally generated profits to grow its store network from 10 in 2004 to 108 today. In doing so, net profit grew from \$7m to \$101m over the same time frame. NCK has been a compounding machine, a 15 bagger with plenty more runway for growth left ahead.

Secondly, the acquisition represents a decisive push into a larger offshore market. CEO Anthony Scali has been investigating the UK market for years. The UK market, both its differences and similarities, are well understood to management. So, while the move outside its ANZ base comes with greater execution risk, we don't consider the decision to be ill-conceived or made in haste.

NCK has effectively secured a 21 store footprint for only the value of Fabb's debt, which will be used to establish the Nick Scali brand in the UK market. With that comes an immense gross margin opportunity, to be executed by a management team no doubt emboldened by the success of its Plush acquisition and integration.

Given the backdrop, the path ahead may well remain volatile. The silver lining of such an environment is that we may be afforded more opportunities to accumulate a range of high quality companies at attractive free cash flow yields.

Top Holdings (alphabetical order)

FID	Fiducian Group
JIN	Jumbo Interactive
JLG	Johns Lyng Group
NGI	Navigator Global Investments
RUL	RPMGlobal

Performance	1 Month	1 Year	Since Inception p.a.*	Since Inception*
The Elvest Fund	-1.6%	26.2%	18.7%	38.9%
S&P/ASX Small Ords TR Index	-3.1%	7.4%	2.4%	4.6%
Outperformance	1.5%	18.8%	16.3%	34.4%

* Inception date 1 June 2022. Performance after all fees & expenses. Unit price (30/04/2024): MID (\$) 1.3235, ENTRY (\$) 1.3268, EXIT (\$) 1.3202.

This information refers to investments in The Elvest Fund (The Fund). Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The trustee of the Fund is Fundhost Limited (ABN 69 092 517 087, AFSL No. 233 045). Elvest Co Pty Limited (ABN 65 657 018 614, AFSL 547262) is manager of The Fund. Only investors who are wholesale clients (as defined in s761G and s761GA of the Corporations Act 2001 (Cth)) may invest in the Fund. An investment may achieve a lower than expected return and investors risk losing some or all of their principal investment. Past performance is no indication of future performance.

The Manager

Elvest Co is a boutique investment manager specialising in small cap Australian equities. Independently owned and operated by managers with a strong track record, Elvest Co is the investment manager of The Elvest Fund.



Adrian Ezquerro
Principal & Portfolio Manager

Adrian is a Portfolio Manager of the Elvest Fund, and a co-founder of investment management company Elvest Co Pty Limited. Adrian has 15 years' experience in financial markets, with prior roles including Analyst, Senior Analyst, Portfolio Manager and Head of Investments.



Jonathan Wilson CFA
Principal & Portfolio Manager

Jonathan is a Portfolio Manager of the Elvest Fund, and a co-founder of investment management company Elvest Co Pty Limited. Jonathan has 8 years' experience in financial markets, with prior roles including Analyst, Senior Analyst and Portfolio Manager.

Investment Approach

Our bottom-up research and company visitation program results in an actively managed portfolio of high-quality Australian businesses offering dynamic growth. We seek to own a part share of established emerging leaders that are still relatively early in their life cycle. We therefore expect to benefit from the earnings and dividend growth that often follows. We target companies that have emerging industry leadership, a strong balance sheet, healthy cash generation, aligned management teams and large opportunity sets.

About The Fund

The Elvest Fund is a long only, small cap Australian equities fund. The Fund typically invests in 20-40 companies that are outside of the S&P/ASX 100 at the time of initial inclusion. The objective is to provide strong absolute returns to investors, while also outperforming its Benchmark over the long term.

Fund Information

Name	The Elvest Fund	Investment Eligibility	Wholesale only
Structure	Wholesale Unit Trust	Minimum Investment	\$250,000 (unless otherwise agreed)
Investment Universe	ASX-Listed small caps	Liquidity	Monthly
Benchmark	S&P/ASX Small Ords Accum. Index	Distributions	Annually
Number of Holdings	20 to 40 securities	Fees	1.28% (incl. GST, net of RITC)
Stock Limit	10% at cost		20.5% (incl. GST, net of RITC) of outperformance of the Benchmark, subject to a high water mark.
Investment Timeframe	5 years+	Administration	Fundhost
APIR Code	FHT0540AU	Custodian	National Australia Bank
Platform Availability	HUB24, Netwealth		

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