

ELVEST

The Elvest Fund

Monthly Report - April 2023

Commentary

The Elvest Fund returned +4.3% for April, versus the Benchmark return of +2.8%. Since inception, the Fund has returned +10.1% after all fees, ahead of the benchmark return of -2.6%. The Fund closed the month with approximately 16% of assets held in cash.

Following a cumulative increase in interest rates of 350bps, the RBA decided to leave the cash rate unchanged at 3.6% at its April meeting. While still high, softer than expected inflation data was received positively by markets. Ten year Government bond yields were largely unchanged during the month, and equity markets enjoyed solid rallies.

Key contributors for the month were Helloworld Travel (HLO), Smartpay (SMP) and Corporate Travel Management (CTD). There were no notable detractors.

HLO upgraded FY23 EBITDA guidance by a further 33% (at the midpoint), driven by the continued rapid recovery in leisure travel during the March quarter. Third quarter FY23 EBITDA came in at \$14.2m, up from a \$4.9m loss in the prior corresponding period. The new guidance range of \$38m - \$42m implies EBITDA slows during the seasonally strong June quarter, an unlikely scenario given the upward trajectory of travel activity.

SMP, a leading independent EFTPOS provider to small to medium enterprises (SMEs) in Australia (AU) and New Zealand (NZ), announced plans to establish transaction acquiring operations in NZ. SMP has come full-circle, having launched an acquiring business in AU in late 2017, funded in part by the original NZ business. In NZ, SMP has long provided payment terminals under a rental model, managing a network of over 30,000 terminals, representing 25% market share.

Provided interchange charges are constrained, transaction acquiring can be far more profitable than simply renting terminals. The AU (acquiring) division currently generates four times the NZ (rental) division's revenue from half the

number of payment terminals, and is now SMP's core earnings driver.

Changes to NZ retail payments regulations that came into effect late in 2022 capped previously exorbitant interchange fees that had prevailed in NZ. The framework in NZ is now similar to what exists in AU. The new regulations mean non-bank acquirers like SMP can profitably enter the NZ market. A 2023 pilot is in the works, so it is only early days, but the potential is significant.

CTD announced a large 2-year travel management contract with the UK Home Office. Estimated at A\$3bn of Total Transaction Value, the contract is for the management of accommodation and travel for asylum seekers. Similar to HLO, the broader outlook for CTD is improving, though we expect CTD's post-COVID recovery will lag by 6-12 months as airline capacity normalises.

We expect a large number of company updates to be forthcoming in May. In our view, the impact of the rate hike cycle is still yet to be fully reflected in aggregate earnings forecasts. As such, we believe outlook statements will be generally cautious. With this noted, we continue to focus on the secular growth opportunities that exist in small caps, and remain positioned to take advantage of any meaningful market weakness.

Top Holdings (alphabetical order)

CTD	Corporate Travel Management
FID	Fiducian Group
JLG	Johns Lyng Group
NGI	Navigator Global Investments
RUL	RPMGlobal

Performance	1 Month	Since Inception*
The Elvest Fund	+4.3%	+10.1%
S&P/ASX Small Ords TR Index	+2.8%	-2.6%
Outperformance	+1.5%	+12.7%

* Inception date 1 June 2022. Performance figures after all fees and expenses.

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) is a Corporate Authorised Representative (CAR No.001296198) of Fundhost and 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) 20.5% (incl. GST, net of RITC) of outperformance of the Benchmark, subject to a high water mark.
Stock Limit	10% at cost	Administration	Fundhost
Investment Timeframe	5 years+	Custodian	National Australia Bank

Contact

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