

ELVEST

The Elvest Fund

Monthly Report - August 2023

Commentary

The Elvest Fund returned +2.0% for August, versus the Benchmark return of -1.3%. Since inception, the Fund has returned a total of +19.2% after fees, ahead of the benchmark return of -3.7%. The Fund closed the month with approximately 12% of assets held in cash.

The FY2023 results season was better than expected. However, aggregate earnings forecasts for FY2024 were marginally pared back, reflecting generally softer trading conditions and outlook statements. That said, small cap equity pricing has more than captured this dynamic, and as a result, good value is apparent in a range of high quality companies.

Despite some relief from recent disinflation in materials and freight, key inputs including labour, rent and debt servicing costs will weigh on near term corporate profits.

Nevertheless, businesses with market leadership, capital efficient operations and balance sheet strength are best placed to deliver through the cycle, and this remains our research focus.

Key contributors for the month were Johns Lyng Group (JLG), Dicker Data (DDR) and Hub24 (HUB). The main detractor was Corporate Travel Management (CTD).

JLG's result was in-line but FY24 guidance was well above expectations with core business (i.e. non-catastrophe work) EBITDA set to grow by 20% to \$113m. Cash flow was strong and the company is primed to continue its successful bolt-on strategy with \$72m net cash. Growth avenues span insurance building (Australia & USA), strata services, disaster recovery and essential home services.

DDR reported pre-guided 1H23 results with revenue and earnings both up by about 9%. Software was the main driver, up 28% and largely offsetting subdued hardware sales. The market responded positively to management commentary around what it expects will be a very strong

PC refresh cycle in over the next 24 months. With 35% share, DDR plays a central role as a value-added distributor to mid-market customers in Australia, and we see its position only strengthening in the coming years.

HUB delivered a result that beat expectations, with underlying NPAT up 64% to \$59m. HUB is increasingly becoming the platform of choice for advisers and is rapidly taking market share from legacy incumbent providers. The company is now moving into a phase of significant operating leverage, and is well placed to strongly compound earnings growth in the years to come.

Although CTD detracted during the month, the company delivered a sound result in a sector still recovering from the effects of the pandemic. Underlying EBITDA was up 179% to \$167m, whilst FY2024 guidance of \$240m to \$280m implies CTD will deliver a record result in FY24.

Updates received during reporting season again demonstrated the quality of the portfolio. In a difficult economic environment, investee companies continue to execute well, capitalising on significant market opportunities across a range of sectors.

Top Holdings (alphabetical order)

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

Performance	1 Month	1 Year	Since Inception p.a.*	Since Inception*
The Elvest Fund	2.0%	13.9%	15.1%	19.2%
S&P/ASX Small Ords TR Index	-1.3%	-1.2%	-3.0%	-3.7%
Outperformance	3.3%	15.1%	18.1%	22.9%

* Inception date 1 June 2022. Performance after all fees & expenses. Unit price (1/9/2023): MID (\$) 1.1359, ENTRY (\$) 1.1388, EXIT (\$) 1.1331

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 over 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 over 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

Elvest email: info@elvest.com.au
Fundhost email: admin@fundhost.com.au

Phone: (02) 9093 0609
Phone: (02) 8223 5400