

ELVEST

The Elvest Fund

Monthly Report - December 2022

Commentary

The Elvest Fund returned -2.7% for the month, versus the benchmark return of -3.7%. Since inception, the Fund has returned +2.6%, ahead of the benchmark return of -7.0%. The Fund closed the month with about 27% of assets held in cash.

Stocks were sold off in December as bond yields lifted, with the persistence of strong growth in the US suggesting the Federal Reserve's aggressive rate tightening cycle may remain on the horizon for longer than expected.

Short term portfolio performance largely reflected the broad weakness in small caps, which was once again primarily macro-driven. A handful of names made positive contributions during the month, including Smartpay (SMP) and Maas Group (MGH), while Brickworks (BKW) wasn't rewarded after delivering a positive update. The main detractors were Symbio (SYM) and Corporate Travel Management (CTD).

Brickworks (BKW) announced expectations to deliver a record half year result in its property division. Not long after delivering a strong FY22 result, BKW expects to grow its net Property Trust asset base by \$450m to \$2.2b in the first half of FY23.

Over the medium term, we see Property underwriting BKW's current market cap, leaving substantial residual value within its 26% stake in Washington H. Soul Pattinson (SOL) as well as the Building Products division.

We exited our modest position in SYM immediately following the company's December trading update. Management downgraded FY22 earnings guidance by 25%, after reiterating guidance only weeks prior at the November AGM.

The update cited a pull-back in demand from global technology clients and a slowdown in pipeline conversion. A slowing revenue growth profile coupled with cost base expansion does not bode well for profitability in the near term.

CTD declined on news of leisure travel swamping airline capacity and therefore limiting availability for corporate travellers. As capacity returns, which we believe will occur over the next 12 to 24 months, so too will corporate travel, albeit in the midst of a challenging economic environment. CTD is attractively priced assuming recovery of pre-COVID activity over the coming years.

In 2022 markets experienced a broad repricing of risk assets due to inflation and higher interest rates, reflected by a compression of PE ratios. In 2023 we expect softening corporate earnings to follow as higher interest rates slow economic activity. Whilst we are finding more opportunities in this environment, we remain somewhat cautious on the upcoming reporting season. Cost inflation and margin pressure still present as meaningful risks.

The Fund comprises companies that we believe have the qualities of 'emerging leadership', with an emphasis on near term earnings visibility given the uncertain backdrop. With the benefit of more information and data over the coming months, we will seek to deploy more capital into quality small caps at discounted prices.

In closing, we wish to express our gratitude to all our co-investors. Thank you for your support since inception. We look forward to investing alongside you in 2023.

Top Holdings (alphabetical order)

AUB	AUB Group
FID	Fiducian Group
NWS	News Corporation
RUL	RPMGlobal
SMP	Smartpay

Performance	1 Month	Since Inception*
The Elvest Fund	-2.7%	+2.6%
S&P/ASX Small Ords TR Index	-3.7%	-7.0%
Outperformance	+1.0%	+9.6%

* 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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