

ELVEST

The Elvest Fund

Monthly Report - February 2023

Commentary

The Elvest Fund returned -2.2% for February, versus the Benchmark return of -3.7%. Since inception, the Fund has returned +6.7% after all fees, ahead of the benchmark return of -4.6%. The Fund closed the month with approximately 22% of assets held in cash.

Equities and bonds sold off sharply during the month, reversing some of January's strong gains. Sentiment worsened in response to a more hawkish tone set by central banks, including the RBA, suggesting interest rates will remain higher for longer to tame inflation.

The silver lining of the February drawdown in small caps was that it allowed us to deploy some more capital into high quality business at more sensible prices.

Key contributors for the month were Helloworld Travel (HLO), AUB Group (AUB) and Johns Lyng Group (JLG). The main detractors were Fiducian Group (FID), RPMGlobal (RUL), and Navigator Global Investments (NGI).

HLO swung into profitability in the first half of FY23 on 150% higher revenues. There remains significant pent up demand, especially among older (mortgage-free) travellers, which is HLO's primary customer cohort. Management upgraded FY23 EBITDA guidance by 25% (at the midpoint), to a range of \$28m to \$32m.

Leading insurance broker AUB delivered a strong first half result that was well ahead of upgraded expectations. The Group continues to benefit from a strengthening premium rate cycle, and upgraded FY23 earnings by a further 5%. Insurance broker peer, PSC Insurance (PSI), is enjoying similar tailwinds and was a new addition to the Portfolio during the month.

Insurance builder JLG delivered a large revenue and cash flow beat, driven by higher Catastrophe (CAT) work resulting from the 2022 flooding events in NSW and VIC. Management upgraded FY23 guidance for revenue and EBITDA by 11% and 5.5%, respectively.

FID reported modestly lower first half earnings, reflecting higher staff costs and slower revenue growth during the period. Funds Under Advice (FUA) was up 23% YoY, driven mainly by the PCCU acquisition, much of which is yet to transition to FID's platform and investment solutions. We expect this to drive earnings growth in future periods.

Mining software provider RUL produced a solid first half result and reiterated FY23 EBITDA guidance of \$14.2m, up 215% on FY22. RUL has a large pipeline led by its mobile asset maintenance solution, AMT, which enjoys a dominant market position. As most of RUL's software is billed after 31 December, cash flow has a strong second half skew.

Hedge funds business NGI delivered a sound result with US\$6m of performance fees coming from the Lighthouse Partners subsidiary driving a consensus beat. Management trimmed the top end of FY23 baseline (pre-performance fee) EBITDA guidance by 2.6%, to now sit at a range of US\$36.5 to \$37.5m. NGI Strategic delivered another strong profit result, with the Dyal portfolio set to comfortably exceed the Preferred Annual Minimum Distribution.

Inflation and margin pressure were broad reporting season themes. That said, a subset of small caps continue to thrive, and the Fund is well positioned to take advantage of any further volatility that may arise in coming months.

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	-2.2%	+6.7%
S&P/ASX Small Ords TR Index	-3.7%	-4.5%
Outperformance	+1.5%	+11.2%

* 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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