

ELVEST

The Elvest Fund

Monthly Report - January 2023

Commentary

The Elvest Fund returned +6.3% for the month, versus the benchmark return of +6.6%. Since inception, the Fund has returned +9.1%, ahead of the benchmark return of -0.9%. The Fund closed the month with approximately 24% of assets held in cash.

Small caps powered out of the starting blocks in 2023 but haven't yet come close to reversing what was a difficult year for many emerging companies.

Market returns for 2022 were largely driven by macroeconomic events and challenges, with Australian small caps underperforming their large cap counterparts by close to 20%. Therein lies some of the opportunity for the year ahead, though we will seek to navigate this period by balancing value capture with capital preservation.

Key contributors for January were Aussie Broadband (ABB), Corporate Travel Management (CTD), Helloworld (HLO), Jumbo Interactive (JIN) and Smartpay (SMP). IPD Group (IPG) and RPMGlobal (RUL) were the primary detractors.

ABB rose on NBN Co's proposed wholesale pricing plans released late last year. Under the proposal (subject to ACCC approval), NBN Co will reduce wholesale prices for ultra high speed tiers, where ABB specialises. If passed, the changes will materially benefit ABB's margins, assuming rational industry pricing thereafter.

The release of considerable pent up demand coupled with the reopening of the Chinese economy pushed travel related businesses CTD and HLO higher during the month. With leaner operating structures, healthy balance sheets and rapidly recovering demand for travel services, both businesses are well positioned to grow earnings from depressed levels in the years to come.

Digital lotteries retailer and lotteries management software provider JIN announced a six year extension of its software licence agreement with leading charity operator Mater during the month.

This continues a highly successful partnership between the two groups, with JIN demonstrably adding value for one of Australia's most prominent healthcare focused charities.

SMP, a full-service provider of payment terminals, continued its strong recent run of execution. The company released another positive quarterly trading update, the key highlight being 85% year-on-year growth in Australian acquiring transactional revenue.

While we are positive on SMP's prospects, the recent rally has diminished its degree of undervaluation versus our assessment of intrinsic value. We have trimmed our position accordingly.

Value added electrical distribution group IPG, and leading mining operations software provider RUL drifted lower during the month on no company specific news.

In other news, Navigator Global Investments (NGI) released its Assets Under Management (AUM) update for the December quarter 2022. Fund performance was solid across the board, with NGI funds generally outperforming hedge fund indices over 1, 3 and 5 years. This bodes well for NGI's 1H23 results, as most of Lighthouse's funds have an absolute hurdle of 0%. Thus 1H23 should see a solid performance fee contribution to earnings and cash generation.

Top Holdings (alphabetical order)

CTD	Corporate Travel
FID	Fiducian Group
NGI	Navigator Global
NWS	News Corporation
RUL	RPMGlobal

Performance	1 Month	Since Inception*
The Elvest Fund	+6.3%	+9.1%
S&P/ASX Small Ords TR Index	+6.6%	-0.9%
Outperformance	-0.3%	+10.0%

* 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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