

ELVEST

The Elvest Fund

Monthly Report - January 2024

Commentary

The Elvest Fund returned 2.2% for January, versus the Benchmark return of 0.9%. Since inception, the Fund has returned a total of 26.8% after fees, ahead of the benchmark return of 1.2%. The Fund closed the month with approximately 3% of assets held in cash.

Inflation eased further in January and increased the probability of rate cuts in 2024, pushing the equity market higher. Despite rallying over the past three months, small caps have still significantly underperformed large caps over the past two years, coinciding with the aggressive rate hike cycle enacted by Central Banks. If rates have indeed peaked, we expect this dynamic to reverse, providing an excellent backdrop for small caps.

Key contributors for the month were Navigator Global Investments (NGI), Johns Lyng Group (JLG), and Jumbo Interactive (JIN). The main detractors were Imdex (IMD) and Lovisa (LOV).

NGI completed the acquisition of the Strategic Portfolio (3 January) from GP Strategic and provided an Assets Under Management (AUM) update for the quarter ended 31 December.

NGI emerges from the transaction as a larger, more diversified business with a stronger balance sheet and an enhanced partnership with major shareholder, GP Strategic, a leading capital provider to US asset managers. The AUM update brought no surprises with Group AUM rising slightly to US\$26.1bn.

JLG rallied in anticipation of further growth in their contracted catastrophe (CAT) work-in-hand, reflecting the recent spate of disaster events in Eastern Australia. In addition, the business remains well positioned to grow its business as usual (BAU) earnings in both Australia and the US, and we see an upgrade to full year earnings forecasts at the 1H24 result as a possibility.

JIN rose on a long run of lottery jackpots culminating in a record \$200m draw at the start of February. This should aid customer acquisition, online engagement and FY24 profitability.

Looking ahead, specifically to FY25 and beyond, we forecast improving operating leverage as further increases in online penetration, lottery ticket price rises and flat Lottery Corp (TLC) fees all combine to generate strong growth in Australian earnings. Equally as promising is JIN's sharpened global expansion strategy, this time as a software vendor rather than a retailer in offshore markets.

IMD and LOV fell on no news, with share prices ostensibly reacting to volatility in commodity prices and retail sales data respectively.

The Fund enters the February reporting season comprising high quality companies offering substantial return potential. The vast majority of holdings are in a strong net cash position. The portfolio has a median ROE of 21%, forecast earnings growth of 16%, and a forward PE of 15x, highlighting a sound mix of quality, growth and value.

Top Holdings (alphabetical order)

JIN	Jumbo Interactive
JLG	Johns Lyng Group
NEU	Neuren Pharmaceuticals
NGI	Navigator Global Investments
RUL	RPMGlobal

Performance	1 Month	1 Year	Since Inception p.a.*	Since Inception*
The Elvest Fund	2.2%	16.3%	15.3%	26.8%
S&P/ASX Small Ords TR Index	0.9%	2.1%	0.7%	1.2%
Outperformance	1.3%	14.2%	14.6%	25.6%

* Inception date 1 June 2022. Performance after all fees & expenses. Cum distribution unit price (1/7/2023): MID (\$) 1.2080, ENTRY (\$) 1.2110, EXIT (\$) 1.2049.

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 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		
Investment Timeframe	5 years+		
APIR Code	FHT0540AU	Administration	Fundhost
Platform Availability	HUB24	Custodian	National Australia Bank

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