

ELVEST

The Elvest Fund

Monthly Report - June 2023

Commentary

The Elvest Fund returned +1.9% for June, versus the Benchmark return of +0.0%. Since inception, the Fund has returned a total of +12.2% after fees, ahead of the benchmark return of -5.8%. The Fund closed the month with approximately 17% of assets held in cash, before paying out the annual distribution.

With a volatile FY23 behind us, we now find ourselves midway through the next phase of the cycle, which is the softening of corporate earnings expectations. We expect this to be a theme of the upcoming reporting season.

Key contributors for the month were Navigator Global Investments (NGI) and AUB Group (AUB). Detractors included Johns Lyng Group (JLG) and Corporate Travel Management (CTD).

NGI, an alternative asset management company, announced it had reached an agreement with Dyal Capital to accelerate settlement of the strategic portfolio NGI acquired from Dyal in 2021.

NGI should emerge from the deal with a business generating A\$90-120m in annual free cash flow, strong growth potential through its partnership with Dyal, and an improved balance sheet. On a pro forma basis, NGI trades at an attractive free cash flow yield of around 15%.

AUB, a leading insurance broker, is enjoying the tailwinds of an insurance premium growth cycle. While nothing material was reported during the month, the company has continued to execute well across all divisions, having upgraded twice during the course of FY2023.

Insurance builder JLG upgraded FY23 EBITDA guidance to \$115m (from \$111m previously) as a result of higher catastrophe (CAT) management business. Expectations were higher, however, with losses from the (non-core and in run-off) Commercial Construction division of \$15m surprising on the downside.

Nevertheless, JLG's growth drivers remain intact, including the Strata division in Australia and the Reconstruction Experts (insurance building) division in the US. We increased the Fund's holding, with shares trading at an attractive valuation relative to future free cash flow.

Despite announcing the retention of the Whole of Australian Government (WoAG) contract, corporate travel specialist CTD sold off during the month, ostensibly on macroeconomic concerns.

While the share price has retreated from recent highs, we still view CTD as a company on a solid long term growth trajectory. The global corporate travel market remains highly fragmented, providing consolidation opportunities over the coming years. CTD is likely to play a role in this consolidation, with organic share gains supplemented by further strategic acquisitions.

Much has been made of the recent underperformance of small caps relative to large caps. Since the end of CY2021, ASX small caps have underperformed large caps by -22.7%. The last time such a differential occurred was in August 2015. In that instance, small caps materially outperformed large caps over the subsequent 3 years. Nobody knows exactly when it will occur but at some point, the wheel will likely turn in favour of small caps.

Top Holdings (alphabetical order)

| | |
|------------|------------------------------|
| FID | Fiducian Group |
| JLG | Johns Lyng Group |
| NGI | Navigator Global Investments |
| RUL | RPMGlobal |
| SMP | Smartpay |

| Performance | 1 Month | Since Inception p.a.* | Since Inception (Total)* |
|--|--------------|-----------------------|--------------------------|
| The Elvest Fund | +1.9% | +11.3% | +12.2% |
| S&P/ASX Small Ords TR Index | 0.0% | -5.3% | -5.8% |
| Outperformance | +1.9% | +16.6% | +18.0% |

* Inception date 1 June 2022. Performance after all fees & expenses. Cum distribution unit price (1/7/2023): MID (\$) 1.1227, ENTRY (\$) 1.1255, EXIT (\$) 1.1199.

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

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|-----------------------------|---------------------------------|-------------------------------|--|
| 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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