

ELVEST

The Elvest Fund

Monthly Report - October 2023

Commentary

The Elvest Fund returned -5.6% for October, versus the Benchmark return of -5.5%. Since inception, the Fund has returned a total of +8.4% after fees, ahead of the benchmark return of -12.6%. The Fund closed the month with approximately 7% of assets held in cash.

Global events triggered a flight to 'safe haven' assets such as gold, driving divergent returns for the S&P/ASX Small Ordinaries Industrials Index (ex-resources), down -7.1%, and the ASX All Ordinaries Gold Index, up +8.5%.

Fund and Benchmark performance for the month largely reflect this dynamic amid a broad sell off in small industrials, the market segment that remains The Elvest Fund's bread and butter.

We are seeing a much improved set of opportunities, and despite macroeconomic concerns, humbly suggest it is a constructive time to invest in high quality small caps.

The Fund is diversified across 27 holdings, most of which are in a net cash position. In aggregate, portfolio metrics are solid with superior profitability and growth, while trading at a modest multiple relative to history.

Portfolio Metrics*

Stock holdings	27
Return on equity	21%
Net cash holdings	81%
PE	14.6
EPS growth	16%

*Based on invested capital as at 31 October

Key contributors for the month were Dicker Data (DDR) and Smartgroup (SIQ). The main detractors were Navigator Global Investments (NGI), Smartpay (SMP) and Johns Lyng Group (JLG).

Corporate Travel Management (CTD) and RPMGlobal (RUL) respectively reiterated and upgraded FY24 forecasts during October, yet also mildly detracted.

DDR delivered a solid quarterly update, with CYTD revenue and pre-tax earnings up 8.0% and 10.4% respectively. Highlights included healthy growth in DDR's software and DAS divisions, whilst higher group margins largely reflected improved NZ business performance.

SIQ rallied following salary packaging peer McMillan Shakespeare's (MMS) 1Q24 trading update, which credited a 28% increase in novated leases to strong Electric Vehicle (EV) demand. This bodes well for SIQ as a pure-play novated lease and salary packaging provider.

At its AGM in late October, NGI announced that all resolutions pertaining to the GP Strategic transaction passed, with the deal expected to close in late Q4 of 2023. In other news, AUM edged higher during the September quarter to US\$25.9 billion.

No news was forthcoming from SMP and JLG during the month, with both ostensibly falling on macro concerns. We took the opportunity to add to each of these positions, in addition to further incremental investments in Pinnacle (PNI), Lovisa (LOV) and Jumbo Interactive (JIN).

Top Holdings (alphabetical order)

CTD	Corporate Travel Management
FID	Fiducian Group
JLG	Johns Lyng Group
NGI	Navigator Global Investments
RUL	RPMGlobal

Performance	1 Month	1 Year	Since Inception p.a.*	Since Inception*
The Elvest Fund	-5.6%	5.4%	5.9%	8.4%
S&P/ASX Small Ords TR Index	-5.5%	-5.1%	-9.1%	-12.6%
Outperformance	-0.1%	10.5%	15.0%	21.0%

* Inception date 1 June 2022. Performance after all fees & expenses. Cum distribution unit price (1/11/2023): MID (\$) 1.0332, ENTRY (\$) 1.0358, EXIT (\$) 1.0306.

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	Administration	Fundhost
Investment Timeframe	5 years+	Custodian	National Australia Bank

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