

# ELVEST

The Elvest Fund

Monthly Report - October 2024

## Commentary

The Elvest Fund returned -2.1% for October, versus the Benchmark return of 0.8%. Since inception, the Fund has returned a total of 39.0% after fees, ahead of the benchmark return of 10.7%.

The month was characterised by major moves in bonds, Gold and commodities. Bond markets sold off, with the AU 10 year bond yield increasing 53bps to 4.52%, while the continued strengthening of Gold drove a 14% monthly return for the ASX small cap Gold sector.

Though a tight race, increasing odds of a Trump victory, whose policies point to tax cuts, higher tariffs and budget deficits, appeared to be the impetus for these moves.

The ASX Small Industrials sector, the focus of Elvest's investable universe, was negative in October and materially lagged both the Gold and Small Resources (+6.1%) sectors.

Key contributors for the month were Life360 (360), News Corporation (NWS), and Zip Co (ZIP). The main detractors were Web Travel Group (WEB), Tyro Payments (TYR), and Smartpay (SMP).

Leading family tracking platform 360 rallied on no news, however robust monthly app download data showed continued growth in the US and key international markets. NWS' gains somewhat reflected the rebound in 61% owned REA Group, which rallied post the abandonment of its bid for leading UK digital real estate business, Rightmove.

ZIP jumped after posting an excellent September quarter update, headlined by 43% growth in US transaction volume driving a 234% increase in Group quarterly operating earnings to \$31.7m. The result prompted consensus upgrades to FY25 forecasts, which in our view remain conservative.

Just two months after providing guidance, WEB fell as management downgraded revenue/TTV margins. A mix of one-offs and competitive tension drove the downgrade.

WEB is well capitalised with forecast net cash of about \$300m, and is a top 4 bed bank operator globally with a long term opportunity set. That said, we expect the company to remain in the 'sin bin' for some time as investors await improved execution.

TYR and SMP declined on the commencement of the RBA's payments review, which was preempted by the Albanese government's proposed ban on debit card surcharging. Specific to surcharging, the RBA is considering bans and caps, while also reviewing the bundling of other costs such as software.

In any scenario SMP and TYR will still offer a lower-cost solution to merchants versus the major banks, which currently control 70% of the payments terminal market. Both companies could also benefit from potential restrictions over the bundling of software, which would impact global providers such as Square and Lightspeed.

We view both SMP and TYR as attractive targets for consolidation, and we see a lot of strategic sense in combining the two businesses.

Various factors may drive increased volatility in the coming weeks. With volatility comes opportunity, and we are well positioned to sensibly put cash to work in quality targets.

## Top Holdings (alphabetical order)

|            |                              |
|------------|------------------------------|
| <b>360</b> | Life360                      |
| <b>NGI</b> | Navigator Global Investments |
| <b>NWS</b> | News Corporation             |
| <b>RUL</b> | RPMGlobal                    |
| <b>ZIP</b> | Zip Co                       |

| Performance                            | 1 Month      | 1 Year       | 2 Years p.a. | Since Inception p.a.* | Since Inception* |
|--|--------------|--------------|--------------|-----------------------|------------------|
| <b>The Elvest Fund</b>                 | <b>-2.1%</b> | <b>28.2%</b> | <b>16.3%</b> | <b>14.6%</b>          | <b>39.0%</b>     |
| <b>S&amp;P/ASX Small Ords TR Index</b> | <b>0.8%</b>  | <b>26.6%</b> | <b>9.6%</b>  | <b>4.3%</b>           | <b>10.7%</b>     |
| <b>Outperformance</b>                  | <b>-2.9%</b> | <b>1.6%</b>  | <b>6.7%</b>  | <b>10.3%</b>          | <b>28.3%</b>     |

\* Inception date 1 June 2022. Performance after all fees & expenses. Cum distribution unit price (1/11/2024): MID (\$) 1.2503, ENTRY (\$) 1.2534, EXIT (\$) 1.2472.

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 over 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 over 10 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

|                              |                                 |                               |  |
|------------------------------|---------------------------------|-------------------------------|--|
| <b>Name</b>                  | The Elvest Fund                 | <b>Investment Eligibility</b> | Wholesale only   |
| <b>Structure</b>             | Wholesale Unit Trust            | <b>Minimum Investment</b>     | \$250,000 (unless otherwise agreed)  |
| <b>Investment Universe</b>   | ASX-Listed small caps           | <b>Liquidity</b>              | Monthly  |
| <b>Benchmark</b>             | S&P/ASX Small Ords Accum. Index | <b>Distributions</b>          | Annually   |
| <b>Number of Holdings</b>    | 20 to 40 securities             | <b>Fees</b>                   | 1.28% (incl. GST, net of RITC)<br>20.5% (incl. GST, net of RITC) of outperformance of the Benchmark, subject to a high water mark. |
| <b>Stock Limit</b>           | 10% at cost                     |                               |  |
| <b>Investment Timeframe</b>  | 5 years+                        |                               |  |
| <b>APIR Code</b>             | FHT0540AU                       | <b>Administration</b>         | Fundhost   |
| <b>Platform Availability</b> | HUB24, Netwealth                | <b>Custodian</b>              | HSBC   |

## Contact

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