EGPCapital

EGP Concentrated Value Fund

Address: Suite 2, Level 16, 56 Pitt Street
Sydney, NSW, 2000

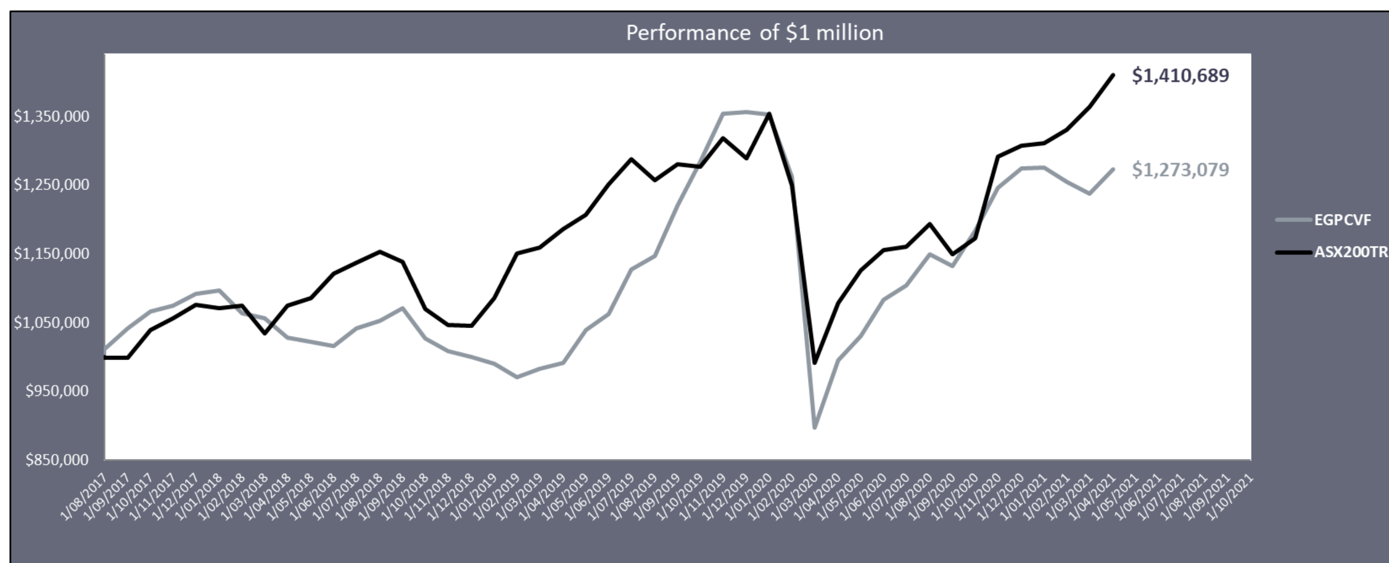
Mobile: 0418 278 298

EGP Concentrated Value Fund – 30 April 2021

EGP Concentrated Value Fund is a managed investment scheme focused primarily on owning Australian listed businesses. It targets 3 – 5% annual outperformance of Australia's preeminent ASX200 index over the long term. Managed by a performance-oriented co-owner, we run a portfolio that is genuinely different. The sole objective is to deliver the strongest possible risk adjusted returns. The fund manager has their entire investable asset base in the fund, meaning focus on risk is unusually intense.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
EGPCVF FY18	N/A	1.1%*	3.0%	2.4%	0.8%	1.6%	0.5%	(3.0%)	(0.7%)	(2.7%)	(0.6%)	(0.7%)	1.58%
Benchmark FY18	N/A	(0.1%)*	(0.0%)	4.0%	1.6%	1.8%	(0.5%)	0.4%	(3.8%)	3.9%	1.1%	3.3%	12.18%
EGPCVF FY19	2.6%	1.0%	1.8%	(4.2%)	(1.7%)	(1.0%)	(0.9%)	(1.9%)	1.2%	0.9%	4.8%	2.3%	4.63%
Benchmark FY19	1.4%	1.4%	(1.3%)	(6.1%)	(2.2%)	(0.1%)	3.9%	6.0%	0.7%	2.4%	1.7%	3.7%	11.55%
EGPCVF FY20	6.1%	1.8%	6.4%	5.2%	5.5%	0.1%	(0.3%)	(6.7%)	(28.9%)	11.0%	3.6%	5.1%	1.99%
Benchmark FY20	2.9%	(2.4%)	1.8%	(0.4%)	3.3%	(2.2%)	5.0%	(7.7%)	(20.7%)	8.8%	4.4%	2.6%	(7.68%)
EGPCVF FY21	1.9%	4.1%	(1.5%)	4.6%	5.3%	2.2%	0.1%	(1.7%)	(1.3%)	2.9%			17.46%
Benchmark FY21	0.5%	2.8%	(3.7%)	1.9%	10.2%	1.2%	0.3%	1.5%	2.4%	3.5%			22.12%

*August 2017 is the period from August 15th-31st for both the fund and the benchmark in the above tables.



The Month That Was: -

The fund rose 2.9% in April. Our benchmark rose 3.5%.

The primary detractor for the fund was the severe market reaction to the Redbubble strategy announcement accompanying the March update, which wiped 1.3% from the value of the fund in the month and has done a lot more damage than that since the market began questioning the company's ability to continue to grow beyond COVID since around January. We discuss the idea in some length below.

There was also an unusual rection to the excellent March quarter update (.PDF) from Smartpay (SMP), which was initially up strongly on the release, but then fell sharply to cost the fund about 0.8% at the monthly closing price. The trading update linked above shows >300 terminals per month being added to the acquiring fleet with a per terminal annualised revenue of nearly $4,000. The EBITDA margin of these terminals likely exceeds 50%, meaning the SMP Australian acquiring business is likely adding more than $600k of annualised EBITDA every month.

Participants cannot be concerned about the scale of the opportunity either, SMP speak for less than half of one percent of the Australian terminals market, the runway is long. If the market does not start to price the business more sensibly based on the scale of the opportunity it sits astride, an industry player will likely acquire the business and we will miss a multi-year growth opportunity.

Quarterly Q & A: -

For those who forgot to tune in, here is a link to the video recording.

A word on Redbubble: -

Redbubble (RBL) was a substantial driver of the funds returns from April last year until mid-January this year. Since then it has been a substantial detractor from the fund's performance. We laid out the long-term investment case for RBL in the first "Searching for Eleven Figures" (.PDF) piece. The company in conjunction with the March 2021 results announced a meaningful change of strategy, so we will briefly review the investment case considering that.

The goals were set out in a "Letter to Shareholders" (.PDF), which was issued with the March Quarter results. The letter is exactly the sort of thing we like to see management put into the public arena, establishing clear metrics against which management execution can be measured. The three key elements of the letter were these in our view:

1. "eCommerce spend for the current range of products sold on Redbubble Group marketplaces is ~$300b in our core geographies"
2. "our medium term (2024) aspiration is to grow GTV to $1.5b & MPR to $1.25b" &
3. "As we make targeted investments… may lead to some short-term reduction in EBITDA margins".

The first thing is to test how the goals management set compare with our own goals, which were set out thusly in November:

Solid Execution: -

	Revenue Low	GPAPA	OPEX High	EBITDA	D & A	EBIT	NPAT
FY2022	$660m	$198.0m	$88.0m	$110.0m	$14.0m	$96.0m	$72.0m
FY2023	$759m	$227.7m	$95.9m	$131.8m	$15.4m	$116.4m	$87.3m
FY2024	$873m	$261.9m	$104.6m	$157.3m	$16.9m	$140.4m	$105.3m
FY2025	$1,004m	$301.1m	$114.0m	$187.2m	$18.6m	$168.5m	$126.4m
FY2026	$1,154m	$346.3m	$124.2m	$222.1m	$20.5m	$202.6m	$151.2m
FY2027	$1,327m	$398.3m	$135.4m	$262.9m	$22.6m	$240.3m	$180.2m

Near Perfect Execution: -

	Revenue High	GPAPA	OPEX Low	EBITDA	D & A	EBIT	NPAT
FY2022	$680m	$204m	$85m	$119m	$14m	$105m	$78.8m
FY2023	$850m	$255m	$93.5m	$161.5m	$15.4m	$146.1m	$109.6m
FY2024	$1063m	$318.8m	$102.9m	$215.9m	$16.9m	$199m	$149.2m
FY2025	$1328m	$398.4m	$113.1m	$285.3m	$18.6m	$266.7m	$200.0m
FY2026	$1660m	$498.0m	$124.5m	$373.6m	$20.5m	$353.1m	$264.8m
FY2027	$2075m	$622.6m	$136.9m	$485.7m	$22.6m	$463.1m	$347.3m

RBL management's MPR goal for 2024 of $1.25b 17.6% higher than the top end, and 43.2% higher than the bottom end of the range we developed. The umbrage the market has taken is clearly not with the revenue expectations as our estimates were meaningfully higher than any published expectations we have seen.

Management has guided for a (inexplicably wide) 10-15% EBITDA margin at the time they hit their $1.25b MPR target. If they achieve the midpoint of this range, that implies $156.3m of EBITDA (12.5% * $1,250m) in 2024. This is less than 1% below our base expectation and 27.6% below the upper bound of our expectation. The punishment the market has meted out is clearly not caused by the anticipated level of earnings a few years out as once again, we are unaware of any public forecasts more bullish than our own.

It should be remembered that from the end of November when our first report was released, the primary currencies RBL transacts in have moved more than 5% against the AU$, meaning we should be reducing the figures in the above tables by at least that amount. Our starting point revenue for FY22 should be more like $620m - $640m. Anywhere in that range would be an impressive result given RBL will likely generate $570-580m if revenue in FY21 with some "one-off" benefits from mask sales and COVID lockdown related "boredom shopping" that will not be repeated.

The 10-15% EBITDA margin management has guided is well below the 18-20% we had forecast at the same time. This is where the market has clearly focused, incorrectly in our view on the lower margin caused by the aggressive growth strategy. Once this business hits these revenue figures, it could either reduce the aggression after which it chases new customers and widen EBITDA margins to nearer the level we thought possible in the original piece, or it could (and this is almost certainly the correct strategy) continue to pour all the GPAPA from the first purchases of new customers into acquiring new customers.

In our view, the correct amount to spend on marketing, given they know a good portion of newly acquired customers will become repeat customers (**last annual report shows repeat business has grown from 35.5% {$40.7} in FY16 to 39.8% {$138.9m} in FY20 – the business has spent $95.9m between those two periods on paid customer acquisition so the expenditure is clearly creating valuable, loyal customers**) is 100% of the GPAPA the new customers generate, measured roughly by this formula (GPAPA margin*Proportion of Revenue from New Customers*MPR = 27.5%*60.2%*$456.2m = $75.5m YTD). The business has "only" spent $58.4m on marketing YTD, so using my formula, they have underspent by about $17.1m. The additional expenditure I would make if I were CEO would of course be contingent on ensuring the ROI on each marketing dollar was demonstrably above a suitable hurdle rate, and not being privy to such information, they may have been legitimately prudent in not spending that extra capital, we understand online advertising rates are much higher now than they have been for most of the past year, perhaps suitable ROI marketing opportunities were unavailable.

From 2003 to 2008, Amazon stock went pretty much nowhere as Jeff Bezos reinvested every dollar of cashflow into growth opportunities. Everyone thought him foolish and then, since January 2009, the stock is up 58-fold, or ~40% annually ever since the market unpicked the correctness of Bezos' strategy. We feel that despite the online retailing marketplace being more competitive now than when Amazon adopted this strategy, the prospective returns are similar.

If the ~$105m of NPAT at ~$157m EBITDA from the above table is correct and RBL achieve this in 2024, it is not unreasonable to expect the market would award that type of growth (-$27.6m NPAT in 2019 to +$105m NPAT in 2024) with a quite high multiple. It is hard to imagine it would be below 20x and could easily be as high as 35x.

The enterprise valuation at $4.08 (time of writing) is $1,020m. EV at 20 * $105m = $2,100m and EV at 35 * $105 = $3,675m. Add in say ~$200m of cashflows that will likely be generated in the intervening 3 years (assuming no acquisitions or share buybacks etc) and you have a valuation in 3 years of $2.3b - $3.88b, which from $1,020m EV implies a 31-56% IRR for the next 3 years.

Alternatively, if we place an expected IRR of 20% on the deployment of capital into ideas (as we do), then we get a current "fair-value" range for RBL of ~$5.30 - ~$9.00 per share, or a mid-point of ~$7.15, use a hurdle rate lower than 20% and you get a much higher fair valuation. Being that RBL is trading comfortably below that range, we have recommenced purchasing shares in the business this month and may continue to do so.

The prudent capital allocation decision for The Board would be to generate their own range of fair valuations based on the alternative IRR's they can generate on the capital by deploying it organically into marketing and provided the market valuation remains attractive enough, cancelling the equity of the business by conducting buybacks (thereby eliminating capital which must otherwise be serviced into perpetuity) is highly likely to be an excellent application of a meaningful portion of the cash above what they believe is the prudent operational cash balance.

Luxury is the income tax of vanity: -

For the first time in months, we will review a new, previously undisclosed holding from the portfolio. Cettire Limited (CTT) was a recent initial public offering (IPO). The stock listed in December 2020, and we were completely unaware of the listing as we are such seldom buyers of IPO's that most brokers do not bother to pitch them to us.

We were fortunate in the case of CTT that another broker (not associated with the float) who understands the elements we look for in a business came across the company and asked us to look. Our decision making is generally so slow moving that it tends to frustrate both brokers and the managements of the companies' we follow. We often take years to become persuaded of the merits of some companies' business models before finally investing.

The decision-making process in the case of CTT was uncharacteristically swift. We became aware of the business on 15 January, met with management on 20 January and began purchasing the stock on 21 January. The weekend of 16/17 January was entirely spent trying to understand the luxury goods marketplace (in which CTT operate), and more specifically the online luxury goods marketplace.

The quote headlining the piece is from Karl Lagerfeld, who was associated with the Chanel brand for the last 40 years of his life. Left off the quote is the second half "But it is so pleasant". I selected the quote to headline the piece because the luxury market it will surprise no-one given my thrifty nature is almost completely foreign to my purchasing behaviours. Clothing and accessories are to me purchased exclusively on the measures of comfort, function, durability, and value for money. Whether someone is going to look at the label/brand of a t-shirt, or pair of shoes I wear and be impressed with my choice of brand does not ever enter the calculus of my transactions. This unfamiliarity with luxury prefaced the enormous amount of work required to understand the operation of the luxury industry.

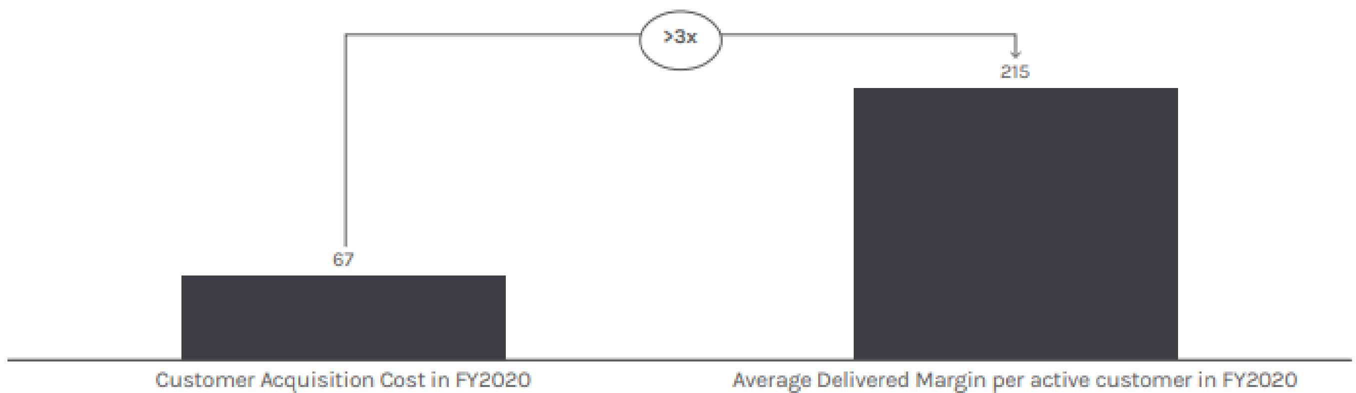
One thing we have learned and had repeatedly reinforced is that just because you yourself would never buy a good or service, does not mean there is not an enormous marketplace for it. The most prominent example of this I can recall was when reading the Lovisa (LOV.ASX) prospectus. The idea of costume jewellery that was so cheaply priced that it might often be worn once or twice before being discarded frankly offended my sensibilities, but it was obvious the model was a near certain success.

Similarly, the idea that someone might pay ~$7,000 for a leather jacket, >$1,200 for a pair of jeans or ~$2,000 for a pair of boots was way outside my conception of normal shopping behaviour. But painful experience informed the idea that there was likely an army of consumers for whom such products were either part of their normal shopping routine, or a regular enough "treat" that there would be an enormous market.

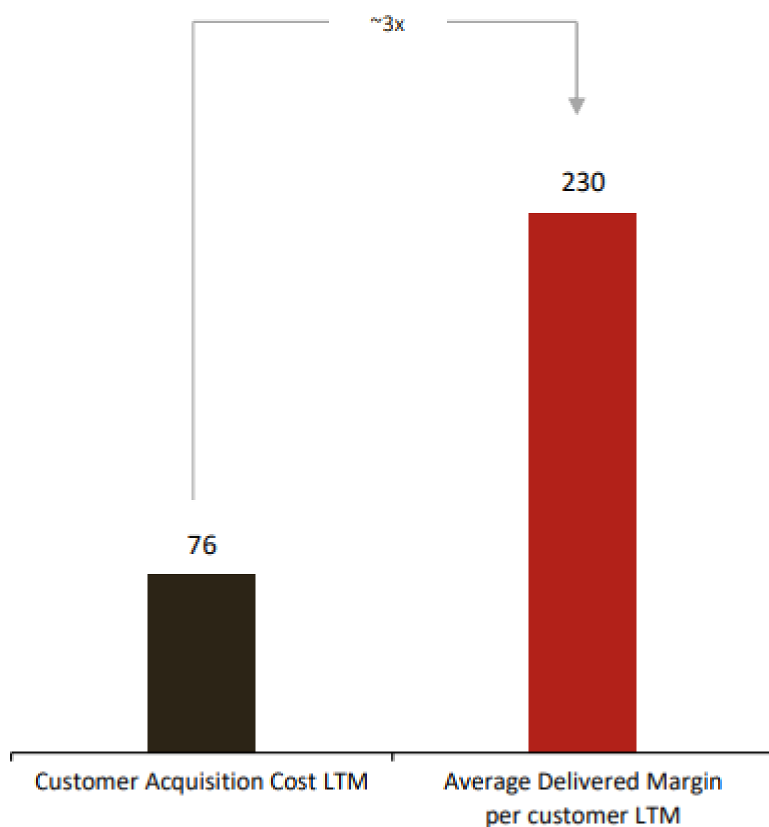
We reached out to 8 or 9 people who we knew to be periodic buyers of the types of luxury products CTT feature on their website. The feedback was almost universally "never heard of them", followed by something like "I bought these shoes last month for $800 and they are available at Cettire for $600, I'll definitely check here before I buy next time". This was persuasive anecdata that given the value proposition was obvious, the fact that the business was not well known meant that growth was highly likely as awareness of CTT grew, luxury buyers are like any other consumer, they might want an expensive item, but will still generally seek the lowest possible price for the item they desire.

We might not intuitively understand why people buy luxury goods. What we do feel like we intuitively understand are good business models. Our association with Redbubble (RBL) was what enabled us to rapidly decide the model had legs. Cettire are a deceptively simple business that does a handful of important things exceptionally well, enabling a breathtaking return on capital. Founder Dean Mintz invested about $4m of capital in the 3 years between launch and IPO, the valuation at IPO was $190.6m, the business had gone from zero to monthly revenues of $7m per month before IPO and has continued to grow steadily since then. Mintz retains about two-thirds of the equity post-IPO which is exactly the type of management alignment we like. The relatively high margins (~30%) and negative working capital business model (others are holding the inventory and fulfilling orders, CTT just provide an ordering interface) are among the elements of CTT's business model that most closely resemble RBL and piqued our interest.

A key thing CTT seem to do better than most of their peers is getting traffic to their website at low cost. According to their prospectus, fully 43% of the traffic to their website comes for free. Furthermore, even their paid traffic seems to come at much lower cost than their peer group. The outworking of this, and the high average order value (AOV) of the items they sell result in something one does not see often, their customer acquisition cost is defrayed more than 3 times over on each customers' first order:



The update in February indicated that the business had increased their customer acquisition cost from $67 before IPO to $76 as they increase investment. As the Cettire brand becomes better known and trusted, the average delivered margin per customer has increased as AOV increases, meaning despite the increased investment, the return for each new customer they find still exceeds 3x. With the improved balance sheet after the IPO, CTT will presumably steadily step up the aggression with which they are willing to pay for new customers. Given the proportion of revenue generated by returning customers has increased from 8% in FY18 to 34% in H1FY21, they are clearly retaining customers at reasonable levels and pursuing additional customers aggressively given that fact makes economic sense.



Returning customers spend nearly 20% more per order, so clearly once a level of trust is established, consumers will spend more freely meaning the already attractive economics exhibited by CTT will only improve with the passage of time.

The luxury goods industry has enormously attractive dynamics as a growing global middle class seek to display their growing income levels. The industry has grown at more than 5% annually over the past five years. More importantly for CTT, the online component has grown at more than 20% over the same period and still only accounted for about 12% of all luxury goods buying. The runway is long and the personal luxury goods market CTT are currently targeting is likely to exceed US$500b in 2021. The step-change in online adoption will likely accelerate the shift to online.

Thinking about valuation: -

We will not put quite as much detail around valuation as we would customarily, CTT is growing far too fast to be able to wrap any sort of sensible figures around likely levels of revenue and profitability. I recollect discussing Afterpay (APT) in the $2-3 per share price range a few years ago and then again around $10 per share perhaps 2 years ago (the stock price has been in the $100-150 range in 2021) and trying to dimension the sort of revenue growth and/or profitability that the price required to make it a good investment, unfortunately we could not make it stack up, but given how well APT went, we are trying harder with CTT…

Businesses that can grow their toplines at >100% annually are, to use a saying from my youth "like rocking horse shit" (exceedingly rare), and the market will pay a big price for them provided they think such growth rates can be maintained, APT's revenue growth slowed to "only" 89% in the December half and despite still being loss-making, the market is valuing the business at nearly $40b. The graphics below are from the CTT December half reporting, they show a company growing at nearly 500% (from an admittedly small revenue base) across key revenue metrics and more than 300% across customer metrics:

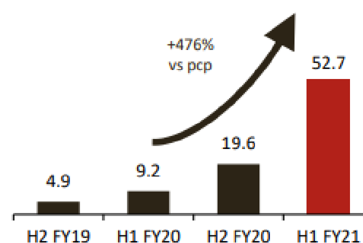
- **Record half year, business is performing very strongly across all key growth metrics**
- Gross revenue[1] $52.7m and Sales revenue $40.5m, +476% and +479% respectively vs pcp
- Strong margin profile – 38% Product Margin, 11% Adjusted EBITDA Margin[2]

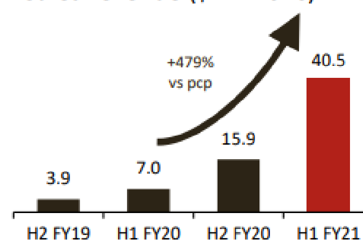
- **Customer acquisition momentum accelerates**
- 67,657 Active Customers[3] +319% vs pcp
- 5.8m unique website visits +300% vs pcp

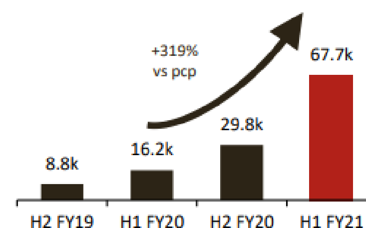
- **Continued growth in online product range and broadening of supplier base**
- Additional supplier relationships since IPO

- **Enhancements to customer proposition**
- Technology driven improvements to site functionality and aesthetics
- Free returns pilot program
- Global partnership with Afterpay

- **Successful IPO on ASX in December 2020, raising $40m for growth initiatives**
- Strong balance sheet with $45m net cash







This sort of growth is not only rare, but hard to maintain. To decide whether the valuation is reasonable, we need to understand what level of future growth is implicit in the current valuation to try to estimate what a reasonable estimate of intrinsic valuation might be. The current market capitalisation at the $1.56 share price (at the time of writing) is ~$595m. The balance sheet has ~$45m of cash, meaning the current enterprise valuation (EV) is $550m.

Despite funding the massive growth, and the IPO costs being incurred in the December half, unlike APT, CTT is making profits ($2.3m NPAT in the half). The prospectus forecast an FY21 loss as the business increases investment in several areas to drive growth (adding new payment providers, new languages to the website etc are among the low-risk ways they intend to invest the IPO proceeds to try to drive further growth), we expect the business will grow fast enough to continue to produce cash despite the increased investments in future growth.

If we us the simplistic assumption that in 5-years, the business would trade at 25x earnings (if anything remotely like current rates of growth is maintained, it would likely command a much higher multiple than that), then the CTT would need to produce at least $22m of NPAT in FY2026 to justify the current EV and generate a zero-investment return. We estimate that to produce ~$22m of NPAT, CTT would need to generate ~$245-250m of revenues in FY26, that the model at that level of scale would generate just shy of 10% NPAT margins (assuming advertising/marketing expense grows at 110% of the rate of revenue, merchant fees grow at ~80%, employee benefits ~70%, general and administrative expenses ~50% and depreciation and amortisation at ~30%). Assuming the $40.5m of December half revenue doubles (this would normally be a bold assumption as most retailers December halves are stronger, but CTT is growing very quickly), that would have them generating $81m in FY21, and imply less than 25% revenue growth per annum for the next 5 years (which would roughly match the growth in online luxury sales growth).

If we want to use the same 25x multiple to figure what we need to make at least a 10% annual return, we need to get to a FY26 profit of ~$35m to earn at least 10% for the next 5 years. Using the same operating leverage assumptions from the previous paragraph, a revenue number of almost $400m would be required, or an implicit 5-year revenue compound annual growth rate (CAGR) of ~38%. Once again, from the current levels of nearly 500% revenue growth, 38% seems quite achievable.

To achieve a 20% annual rate of return, we will use a 30x multiple for the terminal valuation as the revenue growth would be of such a quantum it is hard to imagine the market ascribing a lower multiple. To achieve a 20% internal rate of return (IRR) from the $1.56 price at the time of writing at 30x terminal valuation would require CTT to earn ~$45m of NPAT in FY26, which we estimate would require just shy of $500m of revenue. From the $81m FY21 estimate, that would be about 44% annual revenue growth for the next 5 years.

The revenue CAGR's for 0%/10%/20% annual returns over a 5-year horizon and the shape we would anticipate such CAGR's might take (higher in early years, lower in later years) are set out in the table below:

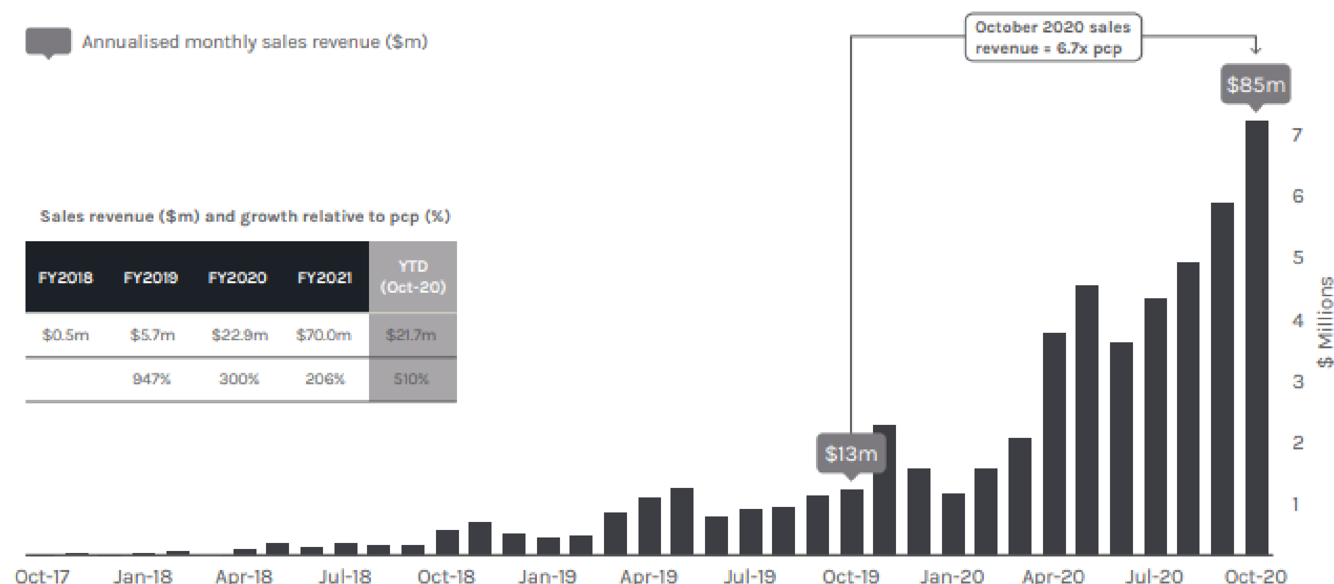
	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	CAGR
0% return	$81.0	$121.5	$164.0	$196.8	$226.4	$250.0	25%
10% return	$81.0	$133.7	$200.5	$270.6	$338.3	$400.0	38%
20% return	$81.0	$145.8	$233.3	$326.6	$408.2	$495.0	44%

The implicit revenue growth trajectory for each prospective IRR is:

	0% IRR	10% IRR	20% IRR
1.	FY19(1148%)	FY19(1148%)	FY19(1148%)
2.	FY20(500%)	FY20(500%)	FY20(500%)
3.	FY21(454%)	FY21(454%)	FY21(454%)
4.	FY22(50%)	FY22(65%)	FY22(80%)
5.	FY23(35%)	FY23(50%)	FY23(60%)
6.	FY24(20%)	FY24(35%)	FY24(40%)
7.	FY25(15%)	FY25(25%)	FY25(25%)
8.	FY26(10%)	FY26(18%)	FY26(21%)

To me, the third column above looks like by far the most realistic trajectory, it is difficult to conceive of what might cause the brakes to come onto revenue growth the way the 0% IRR column projects. The 10% IRR column still seems to expect growth to fall away at a rate the historic growth suggests is unlikely. The growth rate appeared to be accelerating rather than decelerating coming into the IPO, but it is possible this was reflective of the growth fillip most online retailers experienced through the pandemic:

Figure 2: Monthly sales revenue ($m)[54]



Even the 20% column in the table projects an aggressive collapse in the rate of revenue growth, when one considers the numerous growth enhancements CTT either has or will add over the next year or so (adding new payment options including BNPL, providing free returns, adding new languages and more brands and products to the site, developing an app for existing customers etc) as well as the prospect of expansion into the hard luxury (watches/jewellery) and beauty products marketplaces.

It also bears repeating the addressable market by 2026 will exceed US$550b annually. Even at $500m of revenue, CTT would account for less than one-tenth of 1% of the addressable market.

A final point on valuation is to point to the pricing of the global peers, we prefer thinking independently about whether the metrics stack up, but if CTT continues to grow, these are the businesses investors will compare it to. Farfetch (FTCH.NYSE) trades at a ~US$18b valuation despite falling more than 30% over the past 2 months. This is about 11x revenue (CTT trades at 6.8x) and despite the fact CTT is growing faster from a smaller base (450%+ vs 64%) has an arguably superior business model (negative working capital and zero inventory), immediate 3-fold payback of customer acquisition cost and no physical stores, all of which would imply CTT should probably command a higher revenue multiple than FTCH.

Should anyone think the 30x earnings multiple used in the 20% IRR workings above is too aggressive, another peer Mytheresa (MYTE.NYSE) IPO'd in January this year, earned AU$38.3m of NPAT (not too different from the $35m we used to arrive at a 20% IRR) in the past 12 months and trades at more than 85x earnings.

Threats to Continued Growth: -

Luxury brands are notoriously defensive of the perceived luxury value of their products. Despite regular outcries over the burning/destruction of "end of season" luxury branded products lest they end up being sold at bargain prices, thereby diminishing the perception of luxury brand value, the practice is still fairly common. If luxury brands are willing to burn out of season stock to defend perceived scarcity, they may behave quite aggressively to ensure CTT's value proposition does not diminish the perceived value of their brands. Despite this, it stands to reason that in a world increasingly obsessed with sustainability that a service such as CTT provides in getting luxury brands to the marginal buyer at lower (but still quite high) margin can find a place to co-exist.

Just because a product "shouldn't" exist, does not mean it will not exist. I again use the APT example. APT charges most retailers a very heavy 4% margin to provide their tranched payment service to customers. I have used the existence of the APT as a bargaining tool for years to get that 4% margin the retailer is clearly willing to forego to make the sale into my own pocket (where it belongs). The conversation usually goes "What's your best price?", "$X", "Can I buy this with Afterpay?", "Yes", "Great, can you give me a 5% discount and I'll pay cash to save you the Afterpay fees?", "Sold". Despite misers like me harvesting the APT margin for ourselves, APT has built a massive business that will probably generate revenue exceeding $1b in the next year. Global marketplaces are unimaginably large.

Other threats include the usual threats any tech business faces, whereby a slightly more efficient operator whose product for one reason or another captures the hearts and minds of customers more readily supersedes CTT. Yahoo was usurped by Google and Myspace by Facebook, so the threat cannot be ignored.

The ZFC update: -

CEO of The ZFC, Brad Hughes (brad.hughes@thezfc.com.au) and I are continuing the process of creating The ZFC fund product with JANA; the partner we announced in last month's update.

The potentially significantly increased scale of the launch has necessitated a considered joint approach. There is time required to introduce an innovative product, ensuring the launch is seamless for both the appointed managers and clients alike.

We continue to talk with prospective managers so that as inflows to The ZFC grow; we can ably handle increased capacity. The commercial hunger for a product with genuine investor/manager alignment and access to genuinely differentiated fund management talent; at earlier points in their career is a key driver for the project.

We will continue to advise prospective managers as the project takes further shape.

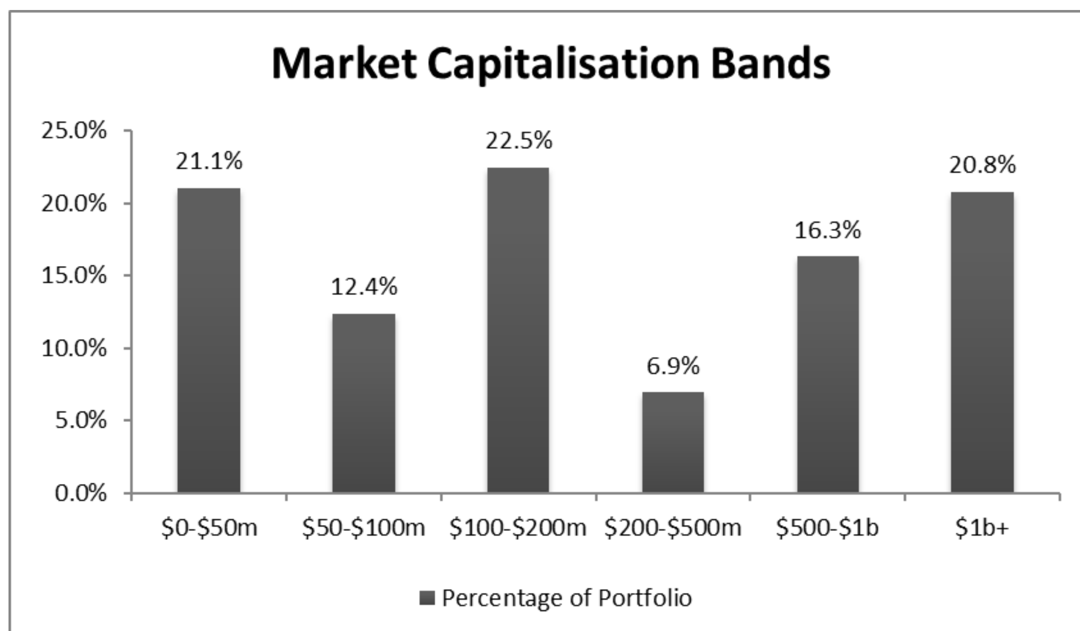
As always, prospective investors or managers who are willing to operate with a ZFC compliant fee-structure are invited to contact Brad or myself or if anyone is aware of prospective investors or managers please have them contact Brad.

Key Portfolio Information: -

Our top 10 holdings on 30 April 2021 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	United Overseas Australia (UOS.ASX)	10.2%	9.8%
2	PPK Group (PPK.ASX) inc. Li-S Energy & White Graphene pre-IPO holdings	9.4%	9.0%
3	Cettire (CTT.ASX)	6.4%	6.1%
4	Smartpay (SMP.ASX)	6.3%	6.0%
5	Redbubble (RBL.ASX)	6.0%	5.8%
6	Shriro Holdings (SHM.ASX)	4.7%	4.5%
7	Undisclosed	4.6%	4.4%
8	Dicker Data (DDR.ASX)	4.6%	4.4%
9	Tellus (Unlisted)	4.0%	3.8%
10	National Tyre & Wheel (NTD.ASX)	3.8%	3.7%

Our largest 5 holdings now comprise 38.3% of our invested capital, our top 10 holdings are 60.1% and our top 15 represent 73.3%. Cash and cash equivalents are 4.4% of the portfolio. The median market capitalisation is $172.8m. Weighted average market capitalisation is $446m.



As always, investors with any questions, suggestions, comments, or investment ideas should feel free to drop me a line – Tony@egpcapital.com.au

Fund Features		Portfolio Analytics	
Min. initial investment	$50,000	Sharpe Ratio[1]	-0.13
Additional investments	$5,000 (Minimum) $200,000 (Maximum)	Sortino Ratio[1]	0.62
Applications/redemptions	Monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	19.19% 16.07%
Distribution	Annual 30th June	Largest Monthly Loss – EGP Largest Monthly Loss - Benchmark	-28.9% -20.7%
Management fee	0%	Largest Drawdown – EGP Largest Drawdown - Benchmark	-33.9% -26.7%
Performance fee (<$50m) Performance fee (>$50m)	20.5% (inc GST) 15.375% (inc GST)	% Of Positive Months – EGP % Of Positive Months - Benchmark	64.4% 68.9%
Auditor	Ernst & Young	Cumulative return[2] – EGP Cumulative return[2] – Benchmark	27.3% 41.1%
Custodian/PB	NAB Asset Services	1-year return[2] – EGP 1-year return – Benchmark	27.9% 30.8%
Responsible Entity	Fundhost Limited	3-year annualised return[2] – EGP 3-year annualised – Benchmark	7.4% 9.5%
Fund Size	$82m	5-year annualised return[2] – EGP 5-year annualised – Benchmark	N/A N/A
Mid-Price for EGPCVF Units Accumulated Franking per Unit	$1.116 $0.0070	Buy Price for EGPCVF Units Sell Price for EGPCVF Units	$1.1185 $1.1151

1 Sharpe and Sortino Ratios calculated using the Monthly Benchmark ASX200 Total Return Index

2 Return is net of all fees and costs and assumes reinvestment of dividends. 1, 3 and 5 year figures are rolling annualised figures.

Past performance is not an indicator of future performance.

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Appendix 1: -

Combined funds cumulative return since inception: