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Erik A. (Tony) Hansen – Investment Manager 30 June 2023

Please find below a cumulative table, which will demonstrate over time what Albert Einstein called ***"the most powerful force in the universe"*** – compound interest. The intention was that over time, relatively modest advantages over the benchmark would accumulate to a substantially superior overall performance (it has been a tough recent period in this regard):

Since Inception Annualised Comparison Tables:-

Financial Year	EGP Concentrated Value Fund (after fees & costs)	Benchmark ASX200TR	Outperformance/ (Underperformance)
2018*	1.58%	12.18%	(10.60%)
2019	4.63%	11.55%	(6.92%)
2020	1.99%	(7.68%)	9.66%
2021	25.50%	27.80%	(2.30%)
2022	(29.96%)	(6.47%)	(23.49%)
2023	15.21%	14.78%	0.43%
Cumulative	9.78%[1]	58.49%[1]	(48.71%)
Annualised	1.60%	8.15%	(6.55%)

* 2018 is the 10.5 month period from 15 August 2017 (EGPCVF inception) to 30 June 2018
1 Assumes reinvestment of dividends/distributions

The General Market: -

The ***S&P/ASX 200 Annual Total Return Index*** (hereafter referred to as '**the benchmark**') was at 77,568.63 points before the opening of trading on 01 July 2022. Including reinvestment of dividends earned, the benchmark finished FY2023 at 89,031.72 points. The average Australian investing experience in the stock market during FY2023 was therefore a gain of 14.78%.

The benchmark over a period of years will approximate the median result of leading investment companies before fees & charges. Such investment companies are the most probable alternative investments for most fellow Australian investors when they seek exposure to equities.

The benchmark was selected in advance and represented a logical choice in our view. It covers more than $2 trillion in market capitalisation and over 80% of Australian listed stocks by value. It presents no pushover. After fees, nearly 80% of active managers will fail to exceed the benchmark over the medium-term (I unfortunately find myself among this unfortunate group of late!). A research report was included in the FY2015 annual letter explaining this fact in greater detail and is available on our website: www.egpcapital.com.au.

We have explained in considerable detail in previous monthly and annual reports why we selected our benchmark rather than an alternative (the ASX200 is the highest quality Australian equity index). In our view equities focused fund managers using lesser benchmarks are usually setting themselves up to earn larger performance fees than they might deserve.

Since the original EGP fund inception in April 2011 the combined EGP funds have generated an annualised return of 8.88% per annum. By way of comparison, our benchmark has delivered 8.03% p.a., the Small Ordinaries (Total Return) has delivered 3.14% p.a. (6424.92 – 9100.40) and the Emerging Companies Index (Total Return) has delivered 2.24% p.a. (2341.49 – 3005.35). The choice of one of these alternatives to the ASX200 would clearly have cost our investors significantly in the form of considerably higher accrued performance fees but given our style of investment (fund median market capitalisation is generally smaller than the median of the Emerging Companies Index), these benchmarks more accurately capture in the short term the general performance of the universe we focus our efforts on.

The performance of the Small Ordinaries Total Return (8.45%) and the Emerging Companies Total Return (7.36%) were both notably weaker for FY2023 than the ASX200TR we use to measure the Fund's performance.

Our Experience: -

EGP Concentrated Value Fund (hereafter referred to as '**EGPCVF**' or '**the fund**') commenced 01 July 2022 at $0.7523 per unit after payment of the FY2022 distribution. EGPCVF closed FY2023 at $0.8667.

This resulted in a gain of 15.21% after allowing for all expenses. Once again, despite modestly outperforming our benchmark, no fees were earned by the fund manager, as we have yet to recoup the significant benchmark shortfall that mostly arose in a horror FY2022. All benchmark shortfalls must be recouped before the manager is again able to earn fees, this is as it should be. The fund is not a charity to whom fees should be paid when results do not justify it. We still hold ourselves out as being able to generate outperformance over time, fees should be earned only when this aim is achieved.

The performance in FY2023 is acceptable mostly in comparison to the very difficult time the fund had in the previous year, and because the small capitalisation parts of the market where our efforts are focused has again meaningfully underperformed the large capitalisation elements of the market. The annual return this year is around the level we would hope to generate on an annualised basis over longer periods.

The EGPVCF uses the same investment strategy that we have had in place since our original fund, operating since 2011, though the narrative element of the annual letter below will explain a key lesson learned over the past few years that we expect will improve our capacity for outperformance in coming years.

The table on the front page sets out the performance history of EGPCVF which was created from the original fund on 15 August 2017. A combined history of both funds EGP has operated since 2011 is set out in **Appendix 1** and should be considered for completeness when assessing performance.

In last year's newsletter, I quoted Horace - "***Many shall be restored that are now fallen, and many shall fall that are now in honour.***" – and although the restoration of EGPCVF has only begun, your manager feels like the general construction of the market at present looks very favourable for the way we like to invest and that the past few months have seen the market starting to respond when demonstrated business momentum appears and applying some future value to the pricing applied to successful business models. Our portfolio has performed somewhere in line with the weaker returns of the smaller capitalisation indices, the fact we outperformed those and were able to keep pace with our benchmark is largely attributable to the returns from SmartPay and Cettire. Further discussion of these holdings occurs below.

The risk/reward setup of the fund, much like last year still feels outstanding. The continuing bear market in small and microcap companies means the opportunity set we target continues to grow richer. Eventually, the performance of sound business models will overcome the depressed state of the market for small businesses. I would be very surprised if the small capitalisation indices do not outperform the ASX200 over the next couple of years. I abhor forecasts but am also a strong believer in the basic mathematical tenets of mean reversion.

I have always held that the reason we use the ASX200 as our benchmark is because it is a better-quality index, that on a reasonable time horizon will deliver a better return than the small capitalisation index. My expectation is that over that reasonable horizon (probably 10+ years) the ASX200, including dividends reinvested will, on average, perform about 1.5% or 2% better than the Small Ordinaries measured the same way. Recent history has seen a significant divergence in performance that I view as highly likely to precede a period of structural outperformance of small capitalisation investing over the major indices.

The Small Ordinaries has underperformed the ASX200 by more than 20% in total over the past 2 years. Such an outcome, when an annual advantage of less than 2% is expected should mean a 16 or 17% advantage needs to arise over some future period/s to cause the expected mean regression. It is not a mathematical axiom but looking across the market at the very high valuations for large capitalisation companies and then through our portfolio at single digit multiples for some small and nanocap businesses with respectable prospects, one cannot help but form the expectation that mean reversion should arise. Eventually.

Applying Probability to Life and Investing: -

Perhaps I am getting to that certain age where the past becomes rose colour tinged. My Wife has certainly pointed out that a lot more statements and stories have started to originate with “When I was a boy” in the past few years. But like an old man on his porch, shaking his fist at the kids on his lawn, I am certain there are some cognitive and behavioural failings that have lately become so mainstream they bear contemplating. These same corrections in thinking can also be applied to investing.

My view in truth is that the world has gotten steadily better through most of recent human history (with periodic major blips and reversals – the insane global lockdown policy response to Covid causing the most recent major reversal in median Global wellbeing), accelerating especially sharply since the industrial revolution. In the period since then, the speed of human innovation has snowballed in a way no human from that era could have realistically conceived. If you were to line everyone up on earth today by how comfortable their lives are, take the 4 billionth (median) human and then do the same exercise with the 500 millionth (median) human in 1804 when the global population hit 1 billion, I doubt there would be any interest in today’s 4 billionth to swap their life with 1804’s 500 millionth. My suspicion (without any supporting data!) is that the every one of the 7 billion new living human inhabitants added earth in the past 219 years live better than the median human 1804.

It is true that there are many aspects of modern human life that are less compatible with our evolutionary needs, but on net, for the median human, life is far better. An example of incompatibility is that humans evolved to move. All day long. But we seldom do in modern life. We are likewise built for an environment of nutritional scarcity, which is why we crave sugars and fats, which is incompatible with the world of nutritional excess most of mankind now experience.

Making obesity the most common medical challenge globally for 21st century homo sapiens. The most common and significant problem we face globally is that modern life requires too little physical exertion and finding sufficient food is too easy…

Humans thrive under conditions of extreme adversity. Our ability to endure is remarkable. The suspicion of the fist-shaking old man on his verandah inside me is that many of the "problems" we face in modern life stem from too little exposure to genuine adversity.

Going back to the beginning of last century, for those of European descent, the lives of their "Greatest Generation" had one, or both World Wars and post-war economies of unimaginable scarcity, rationing and other hardships. For a preponderance of the non-Europeans of that generation, their reward for avoiding most of the warring occurring throughout Europe was frequent famines and a perpetual state of almost complete global poverty instead. My exposure to the Greatest Generation was that they tended as a group to approach life with a stoicism and grace no generation since has been able to replicate, the adversity they had faced created this attitude. Problem is, humans need, even crave adversity, and if life itself is not throwing enough adversity our way, we have an incredible creative capacity for inventing some for ourselves.

I was most recently given to think on this lack of adversity when I caught an advertisement for a "news" segment on "theybies" or babies that are raised without acknowledging their chromosomal sex at birth. I seldom watch commercial TV nowadays; it was most likely I caught this advertisement during a sporting broadcast. I should be clear, I did not watch the show, but still suspect the primary driver of the parents putting their children through this will be to generate some adversity in a life that has heretofore lacked it. Introducing challenge and adversity to your own life is perfectly reasonable (people climb Everest and run marathons for such reasons) but introducing the type of challenges and adversity being raised as a "theyby" would create into someone else's life unbidden feels highly immoral.

To be clear I have no strong view or opinion on gender (or even transgender) matters. My nature is to think probabilistically about almost every aspect of my life. Data on the number of persons who identify as a different gender to their chromosomally observed gender at birth is rubbery at best. The most recent (2021) census in Australia had 0.17% of the population mark "non-binary" as their sex. The ABS say this data are "not of high enough quality to be used", but they represent the least agenda driven figure available to us and they indicate that perhaps about one in six hundred people feel that their chromosomal, or birth gender (I may be using the wrong language here, no offence meant if so) does not reflect the gender they feel themselves to be. If this figure proved to be even 6-fold higher, you would still be talking about a one in 100 chance. Long, long odds. Not the type of odds one should use to make key life decisions.

As a parent, you should put effort into identifying any edge you can to ensure your children find any advantage they can. This might involve uncovering any creative, academic, or athletic advantages your child might have over their cohort.

If your child brings home finger paintings from daycare that look like they belong in the National Gallery and you do not encourage the talent, you have missed an opportunity.

Huge hands and feet and a love of the water, perhaps have them try swimming?

If they are a good deal taller than their peer group and athletically inclined, but you have not encouraged them to try a sport where height is a competitive advantage, an opportunity has likewise been missed.

If, as a 6-year-old, your child could recite π to 30 decimal places and you have not further investigated their mathematical capabilities, perhaps parenting is not for you? You get the picture.

Raising a baby without a gender because there is a one in six hundred (again, ABS data – not mine) chance that nature got it wrong flies in the face not only of basic statistics, but of our duty as a parent. They say parenting "doesn't come with a handbook", but this does not mean you need to increase the degree of difficulty by ignoring a simple probability problem one needs no formal education to understand.

It has taken an essay to get to it, but here is how I will tie the section above into investing… Smartpay (SMP) has been by a good margin the funds best investment for the past few years. We have made more than 10x our money on the earliest shares we purchased ~6 years ago, and based on the runway ahead of the business, barring some left-field event, there should be years of outstanding business conditions and considerable further share price growth ahead for SMP.

I would counter that despite the obvious potential of the SMP business model, those early purchases were, despite their outstanding outcomes, mistakes. They were not quite as wrong-headed as raising a "theyby", but I will examine the risk/reward of the timings of our purchases and arrive at a conclusion that the shares we paid four times more for around this time last year were much better when the risk/reward is considered than those we purchased 6 years ago when EGPCVF was created out of our original fund (EGP Fund No. 1).

We acquired our SMP holding over about a 5-year period. When EGPCVF was created, we carried over a tiny SMP holding into the new structure. We acquired for the trust our first new SMP shares in March 2018 at 15 cents per share. We added considerably to our holdings through May 2018 at an average of about 17.3 cents per share. In November 2019, when the Australian acquiring rollout showed signs of taking off, we made our most aggressive purchases, at an average of 23.3c per share. When capital was raised in June 2020, we participated at 42 cents per share. In May 2021, we again meaningfully added to our position at an average price of almost 75 cents per share. Then, finally, in June 2022, we made the last of our purchases at 60.7 cents per share.

At the $1.58 SMP share price at the time of drafting this newsletter, the respective IRRs of those six purchases are as follows:

- March 2018 (15cps) – 56.2%
- May 2018 (17.3cps) – 54.1%
- November 2019 (23.3cps) – 69.9%
- June 2020 (42cps) – 54.9%
- May 2021 (75cps) – 42.3%
- June 2022 (60.7cps) – 153.7%

Obviously, any of those IRR outcomes, we would gladly take on any investment. As a general principle, were you to offer it to me in advance, I would generally take a 56% IRR over >5 years before a 153% single year IRR, the former represents a >10-fold return, the latter a little better than doubling your capital.

As I think about it now, I assess the quality of those 6 purchasing decisions in approximately reverse order of their occurrence. As I re-read this corresponding letter from last year in preparation for writing this one, the internal exasperation at how obviously wrong the market had gotten the SMP valuation comes across:

The result of that revenue increase was a $3.75m increase in EBITDA on the half (at a very attractive 62% incremental EBITDA contribution), or a NZ$7.5m annualised rate of growth. I believe they could maintain this EBITDA growth rate if they wanted to, extrapolation generates NZ$18.6m of FY2023 EBITDA (+~70%)……

Given the company is net cash and should generate at least NZ$10m of cash over FY2023, such a valuation should it be achieved by the end of FY2023 would translate into about an AU$1.065 share price.
If a takeover offer came at that valuation, despite the >70% premium it would represent to the current share price, we would protest vociferously to see it rejected because the earnings trajectory being sold would look as follows:

- ***FY2020 – NZ$7.4m***
- ***FY2021 – NZ$7.6m (+2.7%)***
- ***FY2022 – NZ$11.1m (+46.1%)***
- ***FY2023 – at least NZ$16.5m (>48%)***

I extrapolated an NZ$18.6m EBITDA figure by doubling the $3.75m of incremental EBITDA they had added and later said "at least" NZ$16.5m EBITDA (allowing for them to "go a little nuts" on marketing – which they did, but managed to get additional growth to cover these expenditures). The business announced EBITDA of $18.4m in their May annual report. There are very few businesses growing as fast as SMP are where forward earnings can be estimated with such predictability. The consensus estimates from the 3 brokers covering SMP at that time was for $15.6m EBITDA, to anyone conversant in business, it was hard to imagine at least NZ$18m of EBITDA would not happen.

Seldom found are such situations where the earnings are reasonably reliably predictable and will comfortably outstrip the expectations in the market, the business model has demonstrated itself to be a highly shareholder friendly one and the valuation relative to these prospects is demonstrably and obviously low. The simple fact is that business was much, much cheaper on a risk adjusted basis at 60c per share in mid-2022 than it was at 15c per share in early 2018. The intuitive leap between those two facts is not an easy one for even seasoned investors to reconcile.

The Mistake, And How We Will Avoid It in Future: -

There are two mistakes to describe in the way our SMP investment unfolded. The first I think I have made clear is that our earliest SMP purchases, despite the very good outcome described in the previous section were in hindsight, missteps when measured in Risk versus Reward. We should still have owned the business to ensure we were keeping abreast of progress in an opportunity we really liked, but our position sizing in this and other opportunities with similar characteristics must be smaller before it becomes obvious the business model is correctly built to exploit the opportunity.

The potential of the SMP acquiring business was obvious to see. The mistake I have made too often in recent years was the temptation to feel that this potential was deserving of a meaningful portfolio position sizing. The subsequent SMP purchases over the next 4 years and 3 months show that there are usually frequent and ongoing opportunities to buy a business that is clearly executing well into a large opportunity and still generate a great investment return.

Clearer thinking about waiting for business model traction before adding to positions could have avoided much value destruction in the portfolio in the past few years. The same mistake was observed in Law Finance, Locality Planning Energy, Kangaroo Plantations, Scout Security among others. Each of those businesses is or was executing into an opportunity that could easily have seen a similarly spectacular share price outcomes had the business model worked. None has, and waiting for proof before growing the position would have significantly improved our portfolio returns in recent years.

The foregoing criticism cannot be levied without acknowledging building a position meaningful enough to influence the returns of a portfolio of our size can be difficult in some of the very small companies we investigate. We will, nonetheless, continue to invest most of our efforts into uncovering outstanding microcap businesses, because going from $25m to $500m capitalisation happens far more often than going from $500m to $10b.

The discipline we need to improve is that when we find a business with blockbuster potential, but that still needs to prove that it has the business model to exploit the opportunity, the position prior to demonstrated execution must be small enough that it does not hurt the fund as much as some of our recent missteps have.

The second aspect to the mistake was in under sizing the position once it had gotten into "lay down misère" territory. I attribute a meaningful part of this mistake to being a little gun-shy because of the poor performance of the fund in the preceding year or two. If the same situation had presented itself (SMP at such a preposterously low valuation with >18 months of executing the house down into a monstrously large market opportunity) in say 2016 or 2017, I daresay we would have had at least 12% of our capital invested. As it was at this time last year, that figure was "only" 8.5% and this cost us a few percentage points of performance this year.

When assessing the under-sized position, recent history is important, and reminds us why investing can be so hard. There were two key drivers to the under sizing of our SMP position this time last year, they were Redbubble (RBL) and Cettire (CTT).

We had purchased RBL very cheaply coming through the Covid lockdown insanity, and the magnificent operating leverage of that business was on full display as it went from modestly profitable to generating ~$100m of EBITDA in a heartbeat. The revenue opportunity was clearly less reliable than the SME payments market SMP chase, but the prevailing thinking was that with profitability achieved, this business had achieved self-sustaining commercialisation and would be perpetually profitable from then on. Instead, more of the purchasing that drove that profitability proved to be transitory than almost anyone had predicted, least of all the RBL executive, who into the teeth of the continued post-Covid revenue reversal kept scaling up the cost base as though the revenue growth had accelerated, rather than reversed.

Our CTT experience contributed even more strongly to my being gun shy to swing big at the SMP "fat pitch". Unlike RBL, their execution never stumbled. They did exactly as they said they would do in their prospectus, using a good portion of the funds raised to continue to grow aggressively an improve brand awareness. The share price grew about 9-fold before falling ~90% all the while revenues continued to balloon, and the business pursued a nearly $500b revenue segment in the global luxury goods marketplace. The market has subsequently warmed again to the CTT business, and the share price has risen more than 6-fold from the recent lows.

We wrote at near the peak of the CTT valuation how given the scale of their opportunity and the continued successful execution that despite the significant rise in price, the valuation could be justified, and a respectable investment return could still be achieved from that valuation should execution remain strong.

On CTT, as we had some investors ask this month if we should be trimming or exiting given the sharp recent price rises. In June, the valuation of CTT once again exceeded $1b. The business will likely earn $27-28m of EBITDA in FY2023, implying an EV/EBITDA of about 40x. This is a very significant valuation very few businesses would ever justify. But the business has demonstrated incredible and sustained growth and has ample levers to see that growth maintain for the next few years. If they can maintain even 80% sales growth in FY2024 (they have stated they are running at ~160% in the final quarter of FY2023), their sales revenue would likely finish FY2024 at ~$630m. With some modest operating leverage, the EBITDA on that figure might resolve in the $55-65m range for FY2024, the mid-point of which would see the "forward" EV/EBITDA multiple of more like 18x, which if the trajectory were to maintain would make the business not only not expensive, but even quite cheap (for context, the forward EV/EBITDA for SMP is about 13x and earnings are growing more slowly for SMP into a smaller – though more predictable – opportunity).

The Martian Assessment: -

The sole pleasing aspect of the portfolio execution of the SMP position is it has shown an ability to use what one correspondent refers to as "The Martian Assessment". The Martian Assessment requires us to imagine a Martian has just landed on Earth, has no way of knowing the share-price or valuation history of a business, can only assess the prospects as they are now and decide whether the valuation is attractive enough relative to the market opportunity being pursued at the price point currently offered to warrant buying. It is a mental exercise used to avoid a common mental error investors make known as anchoring bias.

The Martian assessment is a critical skill to develop because many of the best businesses will perpetually look "expensive" when compared to other businesses. If the "expensive" business has a meaningfully better business model executing into a better set of industry dynamics however, there may well be a higher return earned by paying the "higher" price.

Zero Fee Collective/Cipher Fund: -

The ZFC/Cipher Fund project was dealt a blow this year when our partners in the project JANA declared the environment for most of their clientele had so significantly changed that they would no longer be able to be part of progressing the idea into reality.

This is a great shame because the aggregated performance of the group of managers who were to comprise the first wave has been magnificent in the face of the dreadful performance of the small-capitalisation part of the market where many of the group specialise. If you look at the last 2 paragraphs of the "Our Experience" section of this letter and do not conclude that now is one of the best times ever to start a small-cap focused fund, then either I have failed as a writer, or we have starkly divergent views of the world.

Given the challenges my own fund has faced in the past few years, I am happy to be able to have the entirety of my focus on returning EGPCVF to the levels of outperformance we delivered in our first few years. I remain convinced as ever that there is room for a product such as Cipher Fund aimed to be where a deeply diversified multi-strategy investment product combining a small-cap bent with uncommon Manager/Investor alignment would be a breath of fresh air in a market where managers and investment philosophies mostly seem a product of the same cookie cutter.

Distributions: -

The distribution based on FY2023 will again be a smaller one than in prior years. Because our performance has been weaker, we are only really distributing the dividends the fund has received. I estimate about 2.5 cents per unit (cpu) will shortly be paid to all unitholders, there will be almost 0.7 cpu of franking credits distributed along with it.

If results like this year's continue, I would anticipate future distributions will begin to rise as we again begin to crystallise capital gains and extinguish available capital losses.

The Final Word: -

For the first time in a few years, my own mistakes of commission were not a significant contributor to the fund performing more poorly than it should have. To be sure, the carryover mistakes from previous years still hurt us modestly, but there is no such thing as a perfect year of investing.

For the first time in a long time, mistakes of omission were the ones that hurt us. Not sizing the SMP position size larger, when the opportunity had reached “no-brainer” territory. Likewise, missing out on the opportunity to buy back all the CTT shares we had sold for portfolio management reasons when the valuation reached previous peaks. Had we never sold a share of SMP or CTT, the respective holdings in each company would be more than 2x and more than 3x their sizes respectively. And the fund would be back ahead of its benchmark…

Trimming both positions for portfolio sizing reasons was broadly the correct decision, and one I would do again. Not having the conviction to buy back the sold shares when Mr Market presented such exquisite opportunities in both businesses was a very real mistake I would expect not to repeat if a similar situation were to arise again in coming years.

Not buying enough of something that performs really well is something every investor will complain of at various times, but missing such price dislocations when executions remains as good as it did with these two businesses is a lost opportunity I will be pleased to avoid the next time it is observed in a portfolio holding.

As always, unitholders may feel free to call (0418 278 298), or email (tony@egpcapital.com.au) if something is on your mind. I pride myself on being transparent and freely available to all investors who have placed their faith and future wealth into my hands.

Best Regards,

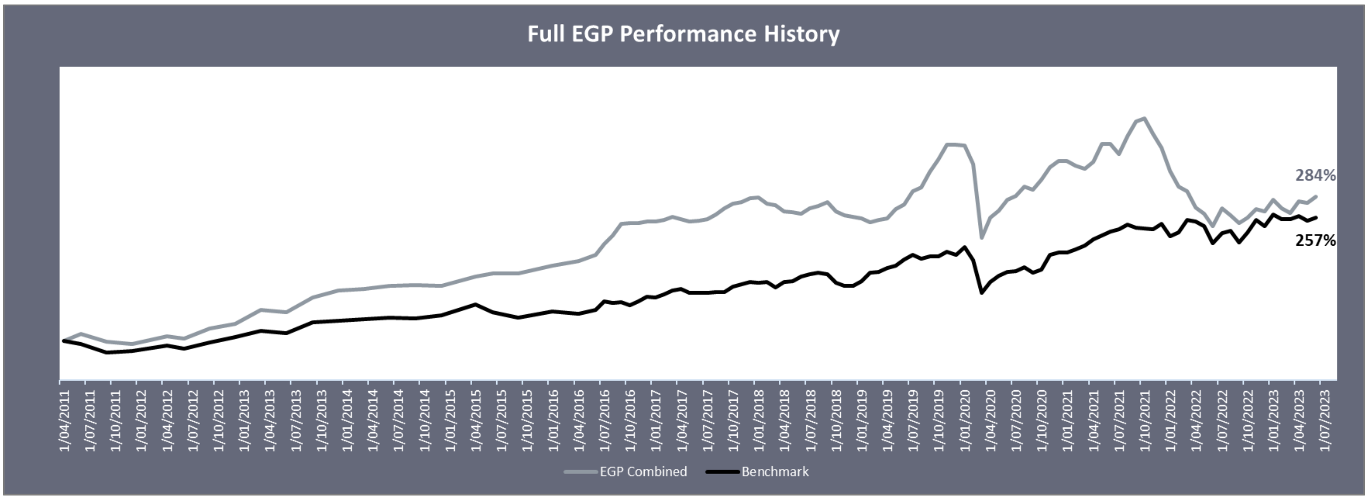
Erik A. (Tony) Hansen
Chief Investment Officer
EGP Capital

Appendix 1:

Combined performance of EGP Fund No. 1 (operating from 01 April 2011 to 15 August 2017) and EGP Concentrated Value Fund (operating since 15 August 2017):

Financial Year	Combined Funds (after fees)	Benchmark	Outperformance/ (Underperformance)
2012*	2.99%	(10.46%)[1]	13.45%
2013	32.58%[1]	22.75%[1]	9.83%
2014	24.71%[1]	17.43%[1]	7.28%
2015	9.04%[1]	5.68%[1]	3.36%
2016	13.19%[1]	2.13%[1]	11.06%
2017	20.75%[1]	15.89%[1]	4.86%
2018	3.39%[1&2]	13.01%[1&3]	(9.62%)
2019	4.63%[1]	11.55%[1]	(6.92%)
2020	1.99%[1]	(7.68%)[1]	9.66%
2021	25.50%[1]	27.80%[1]	(2.30%)
2022	(29.96%)[1]	(6.47%)[1]	(23.49%)
2023	15.21%[1]	14.78%[1]	0.43%
Annualised	8.88%[1]	8.03%[1]	0.85%
Cumulative	183.6%[1]	157.5%[1]	26.1%

* 2012 is the 15 month period from 1 April 2011 (fund inception) to 30 June 2012 (first full financial year)
1 Assumes reinvestment of dividends/distributions
2 Comprises the 1.78% earned by EGP Fund No. 1 Pty Ltd between 1 July 2017 – 15 August 2017 & the 1.58% earned by EGPCVF between 16 August 2017 – 30 June 2018
3 Comprises the 0.75% earned by the benchmark between 1 July 2017 – 15 August 2017 & the 12.18% earned between 16 August 2017 – 30 June 2018



	1-Year	3-Years	5-Years	10-Years	Inception Annualised
Combined EGP Funds	15.21%	0.43%	1.56%	7.58%	8.88%
Benchmark*	14.78%	11.12%	7.16%	8.89%	8.03%
Value Added	0.43%	(10.69%)	(5.59%)	(1.30%)	0.85%

*ASX200TR Index

Appendix 2:

EGPCapital

EGP Concentrated Value Fund
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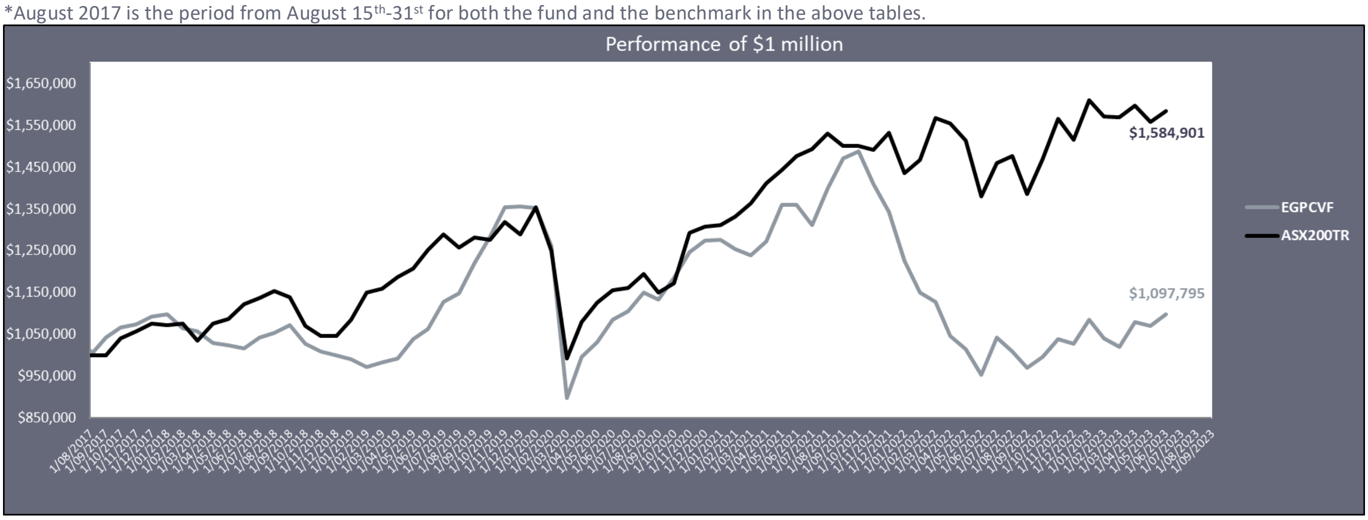
EGP Concentrated Value Fund – 30 June 2023

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%	6.7%	0.1%	25.50%
Benchmark FY21	0.5%	2.8%	(3.7%)	1.9%	10.2%	1.2%	0.3%	1.5%	2.4%	3.5%	2.5%	2.3%	27.80%
EGPCVF FY22	(3.6%)	6.7%	5.1%	1.2%	(5.2%)	(4.8%)	(8.7%)	(6.2%)	(1.9%)	(7.3%)	(3.0%)	(6.0%)	(29.96%)
Benchmark FY22	1.1%	2.5%	(1.9%)	(0.1%)	(0.5%)	2.8%	(6.4%)	2.1%	6.9%	(0.9%)	(2.6%)	(8.8%)	(6.47%)
EGPCVF FY23	9.4%	(3.2%)	(3.8%)	2.6%	4.3%	(1.1%)	5.6%	(4.0%)	(2.0%)	5.7%	(0.9%)	2.7%	15.21%
Benchmark FY23	5.8%	1.2%	(6.2%)	6.0%	6.6%	(3.2%)	6.2%	(2.4%)	(0.2%)	1.9%	(2.5%)	1.7%	14.78%

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



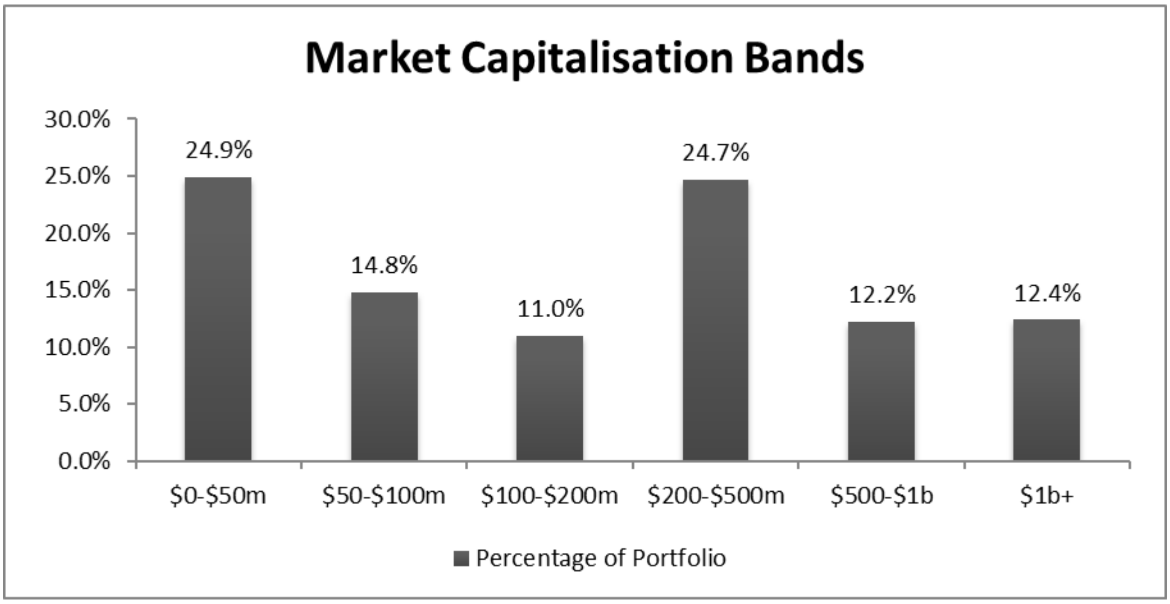
The fund gained 2.7% in June. Our benchmark gained 1.7%. June was a third consecutive month of outperforming our benchmark enough for us to squeak out an advantage for FY2023. The sound result was predominantly attributable to strong months for SmartPay and Cettire, who have lately had the market coalesce around the incredible opportunities both businesses are pursuing. Both appear expensive when viewing the current year earnings, but with a lens out a little further onto the horizon, if execution for each business remains good, their valuations could easily still prove to be low enough to earn a handsome return, which given how far each businesses valuation has risen is remarkable.

Our top 10 holdings at 30 June 2023 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	Smartpay (SMP.ASX)	12.9%	12.2%
2	United Overseas Australia (UOS.ASX)	12.2%	11.6%
3	Cettire (CTT.ASX)	7.8%	7.4%
4	Shriro Holdings (SHM.ASX)	6.8%	6.5%
5	Tellus (Unlisted)	6.7%	6.4%
6	PPK Group inc. White Graphene & PPKME (PPK.ASX)	5.3%	5.0%
7	SRG Limited (SRG.ASX)	4.9%	4.7%
8	Dicker Data (DDR.ASX)	4.6%	4.3%
9	Blackwall Limited (BWF.ASX)	4.3%	4.1%
10	SDI Limited (SDI.ASX)	4.3%	4.1%

Our largest 5 holdings now comprise 46.5% of our invested capital, our top 10 holdings are 69.9% and our top 15 represent 86.5%. Cash and cash equivalents are 5.4% of the portfolio. The median market capitalisation is $167.5m. Weighted average market capitalisation is $380m.

The market capitalisation graph is set out below:



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

EGP Concentrated Value Fund FY2023 Performance Letter

Fund Features		Portfolio Analytics	
Min. initial investment	$50,000	Sharpe Ratio[1]	-0.17
Additional investments	$5,000 (Minimum) $200,000 (Maximum)	Sortino Ratio[1]	0.16
Applications/redemptions	Redemptions only, monthly	Annualised Standard Dev. – EGP Annualised S/D - Benchmark	18.49% 15.32%
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	56.3% 63.4%
Auditor	Ernst & Young	Cumulative return[2] – EGP Cumulative return[2] – Benchmark	9.8% 58.5%
Custodian/PB	NAB Asset Services	1-year return[2] – EGP 1-year return – Benchmark	15.21% 14.78%
Responsible Entity	Fundhost Limited	3-year annualised return[2] – EGP 3-year annualised – Benchmark	2.39% 13.04%
Fund Size	$42m	5-year annualised return[2] – EGP 5-year annualised – Benchmark	1.60% 8.40%
Mid-Price for EGPCVF Units Accumulated Franking per Unit	$0.8667 $0.0067	Buy Price for EGPCVF Units Sell Price for EGPCVF Units	$0.8680 $0.8654

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.