EGP Concentrated Value Fund

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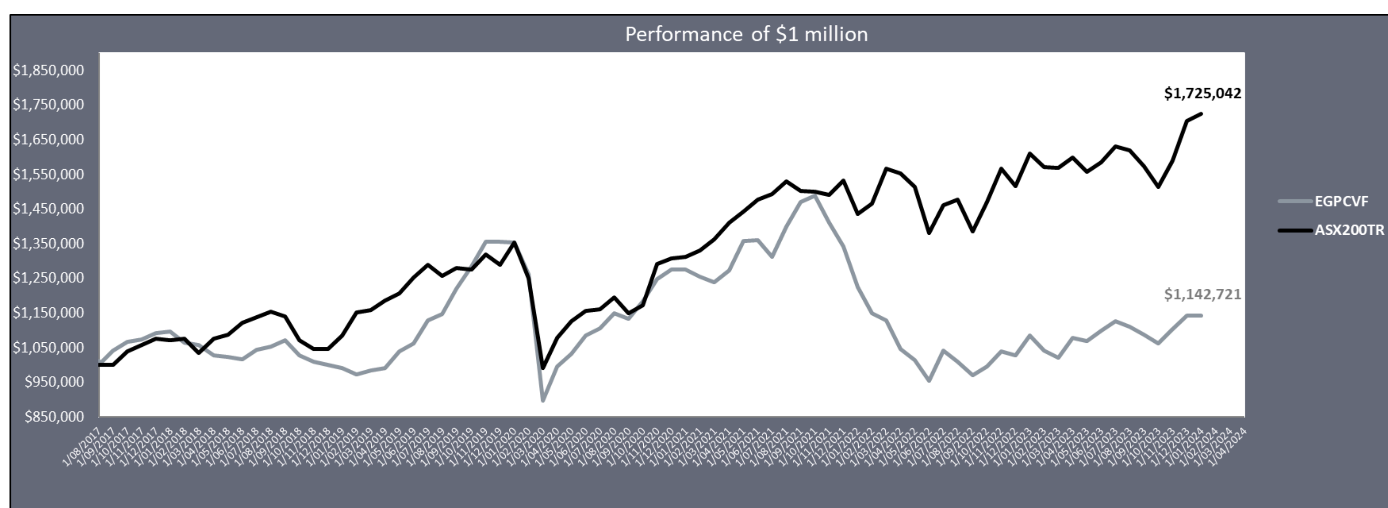
EGP Concentrated Value Fund – 31 January 2024

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%
EGPCVF FY24	2.6%	(1.5%)	(2.0%)	(2.4%)	3.9%	3.6%	0.0%						4.09%
Benchmark FY24	2.9%	(0.7%)	(2.8%)	(3.8%)	5.0%	7.3%	1.2%						7.57%

*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 was flat in January. Our benchmark gained 1.2%. My expectation from the June annual letter that 2024 should be a reversal of the recent poor performance from small and microcaps shows the folly of making such statements publicly. The Emerging Companies index has underperformed the ASX200 by a staggering 14.2% in the first 7 months of FY2024. I would hereby like to revise my expectations for a microcaps revival from FY2024 to calendar 2024.

In all seriousness, reversion to the mean is a mathematical axiom and given the generally comparable performance from businesses in the microcap segment to their larger peers, the only current difference in valuation is driven by market perception. There are fund managers and large investors "waiting on the sidelines" to "swoop" when sentiment turns in small and microcap businesses. The problem is that, especially at the very small end, prices will move 30, 40 or 50% sometimes on next to no volume because of the illiquid nature of some businesses. If you think the price is too low compared to the business outlook, you need to own enough stock that you will enough of the rebound for your portfolio to feel, at least if it is a particularly savage move.

Most of our larger portfolio holdings were up for January, but several holdings moved meaningfully against us despite no news driving the change. An example was National Tyre, which fell about 8% without any operational news. If the most recent guidance is met (December approximately half equal to last June half), implying almost 5cps NPATA, or 10cps annualised, for a price to earnings (P/E) ratio of about 7x. It defies belief that such a prodigious producer of cash since listing could carry that valuation from what would be at the low end of mid-cycle earnings. Unless the February result is miles below their guidance (which would have presumably seen guidance updated already), the valuation must increase. We have resumed buying NTD.

There were numerous of updates from stocks we monitor, but do not own that saw outsized responses in January. This indicates the market is highly sensitised to stock specific outcomes at present. The tide is no longer moving all boats, instead they rise and fall HARD on their own news.

Examples (of news from stocks we monitor but do not own) included Kogan, which reported a modestly smaller fall in revenues than expected and was up ~20% on the news and Megaport, which has finally enacted some cost discipline meaning revenue growth is converting into profitability and was up 25% on the day (and roughly tripling over the past 12 months). On the other side, of the equation, Domino's Pizza (DMP) was savaged by more than 30% on a weaker than expected December half.

Portfolio Update: -

Portfolio company updates were again limited in January, but a flood will take place in February. On the investor call in January, several questions were asked about our unlisted Tellus holding. I have appended the two most recent updates from the company at the end of this newsletter. The December half saw two contracts for 40% of the current annual licence capacity signed. This underpins operational profitability and ensures cashflow will be positive once the contracts are in full swing. This gives the company time to select the right moment for when to raise capital for the addition of "Cell 2" at Sandy Ridge. We expect the commercial validation and other developments detailed in the updates make it highly probable that any new capital will be raised at a valuation above our current carrying value.

One of our smallest holdings and our only direct exposure to Oil & Gas, Calima Energy (CE1) announced the sale of its Blackspur Oil for more than double the pre-announcement market capitalisation. We timed our purchases of CE1 only moderately well and will earn a respectable IRR on an unfortunately too small (in hindsight) holding.

I wrote about the SDI Limited (SDI) update in the November newsletter (.PDF). From the reported 7% sales decline in the first 4 months, we triangulated that a ~3% fall in gross profit (GP) based on the reported margin improvement for the first 4 months, given the inflationary cost environment, would see reported profit down more than 3%, possibly as much as 10% below pcp.

Their trading update (.PDF) in the first few days of the January was a lesson in the difficulty of making usable projections from short reporting periods. They stated sales resolved ***UP*** by 3% for the December half and forecast an NPAT for the half that would be up between 3.7% to 26%. The delta between those two outcomes (particularly if they come in at the top end of the guidance) one would reasonably have expected to have driven the valuation more than it did in January, particularly considering the presumptive fall in profits previous guidance presaged.

Giving such a wide financial guidance after the period has completed does not help investors much and we will need to see the Appendix 4D towards the end of February to really see the "devil in the details". On revenues, if we straight line revenues for the 6-months of last year, a 3% decline over the first 4 months implies sales ran at >15% above pcp in the final 2 months of the year. Which data should an analyst rely on? The +3.16% half on half, or the exit rate closer to +15% growth. This is a business, where a large single sale can materially change period results depending on where they land.

This is why we endeavour to keep our eyes further out on the horizon than most investors. Our view on the earning potential as described in the September Newsletter (.PDF) remain intact. As we point out in that piece, the complete reconstruction of SDI's warehousing facilities is potentially a company-making undertaking. If they succeed in achieving their stated goals, the investment return from these valuation levels will be outstanding. Such good prospective results almost always come with execution risk attached, but I remain of a mind to back the management that have ably steered the business through many such challenging situations over the >15 years I have followed the business. The advantage of watching it unfold in real time is that if execution is strong and valuation remains muted, we will be able to own more of the position with better risk/return metrics.

IMEXHS (IME) released their best Appendix 4C to date, generating $1.4m of operating cash on the quarter and $2m on the year. For a current valuation of only $27m. The reversal of the "grow at any cost" mentality to the "ensure you can self-fund" mentality appears complete. The 4C was unfortunately ignored by market participants. And the valuation disparity between this business and other similar listed businesses means IME could itself have been the subject of the next section of the report (What is the Correct Multiple?). IME works with a similar product range to Pro Medicus (PME) and Mach7 Technologies (M7T). Unfortunately, their revenues are complicated by the operation of a radiology business alongside their pure software business making comparisons fraught.

PME is also a unicorn that cannot be compared to any other business (including the "Magnificent 7" NASDAQ stocks). It trades on a P/E multiple of about 135x. Businesses in their sector are more commonly valued against their ARR (annualised recurring revenue), for PME, that multiple would be ~70x.

For M7T, the ARR multiple is a more demure 6.5x. ARR for IME from the announcement is $25m, but when the software is isolated, it has an ARR of $10.5m. This means the (software only) multiple is ~2.6x for IME. But the RIMAB business was acquired in 2021 for $8.5m and given its steady performance since then would be worth at least $10m, the argument could be made that the standalone software business is trading at a 1.6x ARR, which is likely cheaper than any software business of similar quality you will find (if you know of cheaper, let me know!).

Calculating the intrinsic value of IME is among the more difficult in our portfolio, hence the modest position sizing. But on the obvious cheapness of IME, we defer to Charlie Munger's view that "You don't need to know a man's exact weight to know that he's fat". I cannot with any certainty value IME, but it is clearly worth a lot more that the current market capitalisation being ascribed by market participants.

What is the Correct Multiple?: -

Deciding what valuation multiple is worth paying to ensure a sufficiently good return is achieved is one of the hardest elements of investing. Some industries trade with structurally high multiples, others with structurally low multiples. I have always maintained that if two businesses had the same operating characteristics (revenue trajectory, working capital needs etc) and you assessed them to have similar forwards earnings prospects, you should always buy the lower multiple, even if the other is from an industry with a structurally higher multiple. This lowers one risk to your expected return as if the businesses perform similarly as you expect, the lower multiple option has less risk of costing you part of your return through multiple contraction. Whole industries occasionally have their valuation metrics change, the software technology and telecom sectors the most obvious examples (in different directions) of that over recent decades.

I was given to contemplate multiples when Data#3 (DTL) released earnings guidance in January. This news was well received, and the stock was up ~15% in the days post the news despite a lofty valuation before the news release. I had expected the good report would flow through to Dicker Data's performance as the two businesses although quite different are essentially riding the same technological wave.

This "sameness" can best be demonstrated by looking at their results over the past 6 years to their last annual report (June 30 2023 for DTL and December 31 2022 for DDR) and examining moves in revenue, Profit Before Tax (PBT) and Earnings Per Share (EPS):

	Y1 Revenue	Y1 PBT	Y1 EPS	Y6 Revenue	Y6 PBT	Y6 EPS
DTL	$1,098m	$22.4m	10cps	$2,565m (15.2% p.a.)	$53.2m (15.5% p.a.)	24cps (15.7% p.a.)
DDR	$1,306m	$40.2m	16.8cps	$3,104m (15.5% p.a.)	$104.9m (17.3% p.a.)	42cps (16.5% p.a.)

Selecting calendar 2022 is a little cruel to DDR in the comparison as it was their first year of flat earnings in a decade after a couple of acquisitions caused a little operational indigestion.

Nonetheless, looking at the trajectories of the two sets of earnings, it would be reasonable to expect both companies would be likely to be ascribed similar multiples. Both companies pay out substantially all earnings to their shareholders, making them highly attractive to dividend hungry Australian investors. There are a couple of wrinkles to fair comparison, such as DDR uses a significant debt-load to fund their inventory whilst DTL is operated net cash. DTL has a significant set of lease liabilities on their balance sheet whilst DDR own their primary place of business.

For the 12 months to 31 December 2023, DTL should have EPS of ~26.5c. DDR should be ~44.5c. Their share prices at the time of writing this section were $11.30 for DDR and $9.60 for DTL. Using the simple P/E, their respective "trailing" multiples are 25.4x and 36.2x.

The reason for the additional 10.8x multiple for DTL compared to DDR is probably able to be broken into 3 pieces. The first is as noted above, that DDR uses leverage and DTL cash. This is probably worth 2 or 3 points of the difference.

Another factor is the recent better operational performance of DTL relative to DDR, though as the table above shows, when looking through the ebbs and flows of business, these two seem to have delivered similar outcomes. If you were to take a view that the recent outperformance of DTL is permanent, you could probably account for another 2 or 3 points of the multiple spread.

The final factor is probably the perception about "distribution" as a sector. Most listed businesses in this sector trade at low multiples (look no further than NTD and SHM in our own portfolio), with notable exceptions like DDR and Supply Networks (SNL). But there are very few businesses in the plumbing sector that would carry a valuation anywhere near that of Reece (REH). Businesses that generate consistently superior outcomes eventually get awarded higher multiples.

The risk attendant in such premium valuations is that a small stumble (such as DDR had in 2022) means a huge retracement in valuation until the trust in the business's superiority is rebuilt.

Unless you believe that DTL has become a permanently structurally superior business to DDR, the valuation spread feels too wide. It may well be that the 36x being awarded to DTL is too high, and that it resolves itself by DTL's multiple drifting back towards DDR's over coming periods.

From an investing viewpoint, if the two businesses continue to perform similarly over the next few years as they have in the past, DDR is highly likely to be the better generator of returns over forward periods. Neither business is obviously "cheap", but they are both riding a rolling technology wave that looks unlikely to break for years.

On Media Biases: -

I am repeatedly on the record as being enormously (and increasingly) sceptical about any and all reporting that comes out of EVERY mainstream media (MSM) outlet. I spent time in the UK in the lead up to the Brexit vote (attendance of a family wedding coupled with a driving lap of much of the island) and my exposure to everyday Brits anywhere outside of the London bubble in shops, pubs and the like left me of the view that not only were the polls wrong, but that Brexit was almost certain. The only risk to that was the fact that the population weighting to London was very high and there was clearly less appetite for Brexit amongst the Londoners I spoke with compared with everywhere else. Not a single racist comment was made by dozens of voters I talked with, almost exclusively the gripe was "sovereignty", a distaste for unelected, non-British EU politicians shoehorning policy onto an unwilling British electorate.

No polls from any MSM really countenanced this outcome, it was consistently reported that voting would be 52/48 for remain, the electoral outcome was approximately a flipping of this result. Such reputable polling had never been

so deeply wrong and the polling in the lead-up to the Trump Presidency was incorrect by an even greater order of magnitude, the Scott Morrison/LNP victory in the 2019 Australian Federal election was the "nail in the coffin" for MSM polling credibility.

If I am interested in the outcome of an electoral event, the only input I now give any credence is betting probabilities. For example, reporting of disastrous Labor polling in the first set of January polls for Australian federal politics prompted stories indicating Anthony Albanese was highly likely to lead a 1-term Labor Government. The current betting has a 61.4% chance Labor win the next Federal election (a 22.8% lead over any other outcome…).

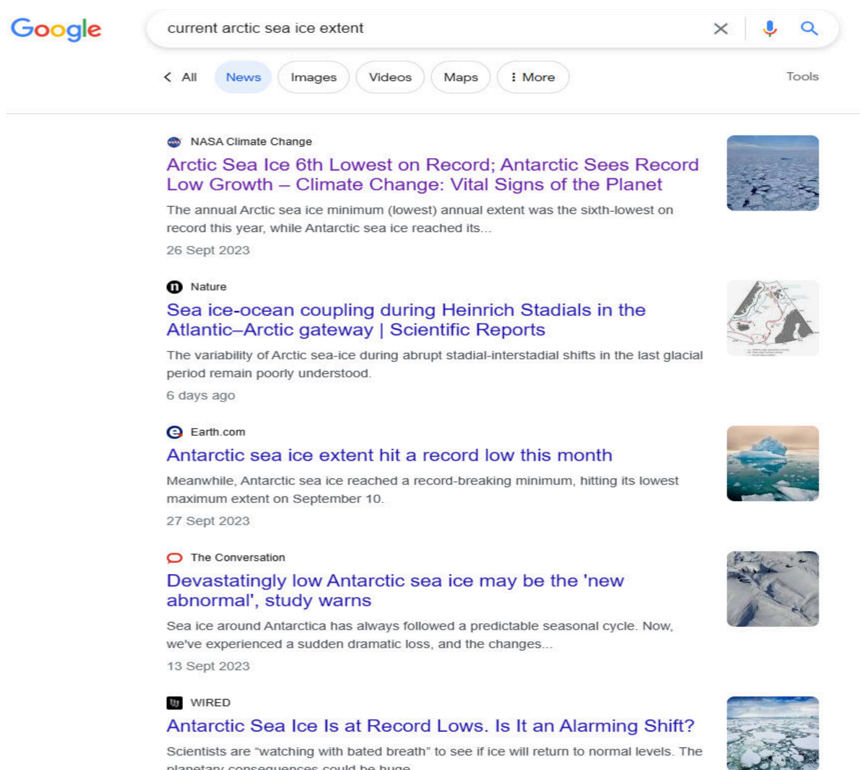
Interestingly, betting currently implies only a 75.4% chance that Trump (42.9%) or Biden (32.5%) will be the next US President, meaning a roughly 1 in 4 expectation another candidate takes the chocolates (with Nikki Haley not in the top 5 of betting, alternatives are mostly Biden substitutes). This assessment is probably reasonable given the advanced age of the two front-runners.

If I found myself drifting away from MSM through the Brexit/Trump debacles, the horrific "journalistic" malpractices of MSM through the Covid insanity ensured my view of MSM credibility not only had its coffin nailed shut but was now encased in an impenetrable steel-lined concrete shell that means it can never be revived.

ABC Journalist Leigh Sales was torn to shreds by ABC true believers when she gave a speech late in 2023 touching on the drivers of the loss of trust in journalism, correctly identifying a primary cause with this paragraph ***"Too often, too many journalists, at all media organisations, are abandoning values espoused by people like Andrew Olle, for various reasons. One is that some reporters prefer to be activists and crusaders rather than factfinders or straight reporters. They enjoy their heroic status among the tribes of social media or their subscribers. I'm not sure they can even identify their own bias."***.

This hopeless tribalism is also the reason I have abandoned all social media, with the last vestige, my LinkedIn account deleted in the past couple of months. The evil behaviour of "Big-Tech" I have previously described in these pages must be resisted at every opportunity. For all the conveniences these companies provide in our life, it is imperative we not let them get away with their evil attempts to control what grown adults say, do and see.

The six-paragraph preface above was written to provide context for a couple of pieces of reporting that particularly irked me in January. The first was when a unitholder sent me an article with the headline "Arctic Sea Ice Soars to Highest Level for 21 Years". The article was from a website called "Daily Sceptic", and although not true "MSM", I did what I always did when someone sends me what I believe is likely to be a biased article. I ran the search shown in the snip below:



I think it is reasonable to expect that a "News" search for "Current Arctic Sea Ice Extent" should direct me toward the most relevant articles in that regard. The (not unreasonable) assumption of someone using a search engine is that it will use the query to serve the most relevant material.

Overwhelmingly, the articles were for "Antarctic Sea Ice" (not what I searched for). It was page 8 from Google before I got to any news article that discussed the Arctic Sea Ice extent through the Northern Hemisphere winter (as a search for "current" in January should do, but even that was a February 2022 article "Arctic Sea Ice extent highest since 2009". There was a single result on the front page as you can see, for the Northern Hemisphere summer. The results on Bing were similarly

distorted, so my previously discussed view that Microsoft is marginally less evil than Alphabet (Google) is under review.

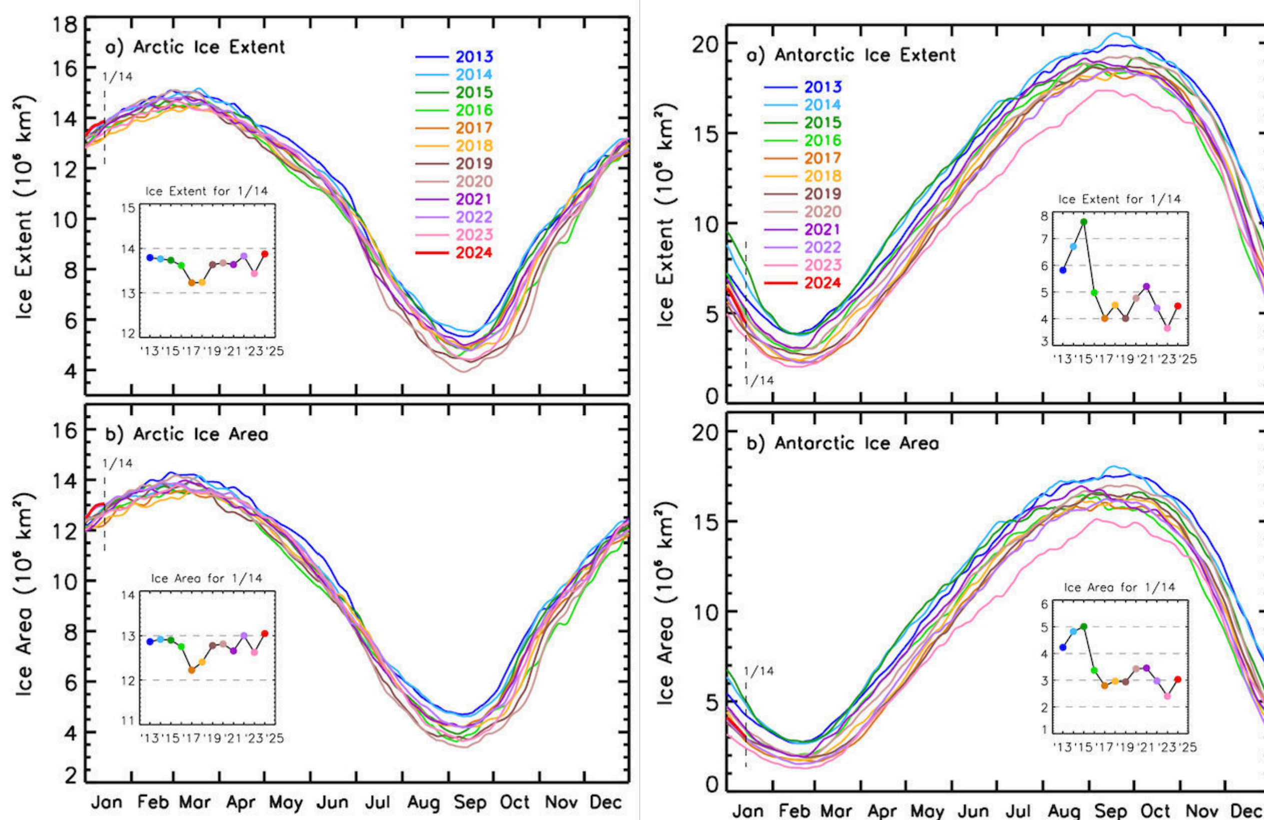
Even when I modify the search to specify "past month", I still get almost exclusively served Antarctic, rather than the Arctic query used in the same search string.

We must live our lives cognisant of the type of evil that serves biased results to such a clear query and be mindful of the fact that it is unlikely this is the only area of our lives these tech behemoths are likely to be imposing their wills.

Given I did not want to trust what was inclined to suspect would be a biased article from Daily Sceptic, I did what I customarily do in such a situation and went to the primary data. These data can be located at:

- Current State of Sea Ice Cover | Earth (nasa.gov) &
- Arctic Sea Ice News and Analysis | Sea ice data updated daily with one-day lag (nsidc.org)

The graphical data do indeed show that Arctic Ice is at record levels for the past decade or more, well up on the lows set in 2012. But as the swathe of news articles on "Antarctic Sea Ice extent" Google served me when I searched for "Arctic Sea Ice extent", pointed out, Antarctic levels are well down from the record highs set in 2014.



When it comes to sea ice extent, we must also be cognisant of the fact that satellite data only goes back to 1979 and in scientific terms, 45 years data to evaluate a single output of what a friend of mine when discussing climate refers to as a ***"highly complex, non-closed, chaotic chemical and physical system, influenced by an inordinate number of variables, some of which are certain to be indeterminate"*** is truly a blip in time, which is capable of being distorted to tell any story the author would like in a case of ***"torture the data and it will confess to anything"***.

Contemplating my quest for actual, data-driven rather than ideologically driven information, what I am surprised it is so hard to find is the average combined Arctic/Antarctic Sea ice extents. These two elements clearly work in something close to tandem and have similar orders of magnitude that must surely have more scientific relevance when contemplated together. The fact that the high record for one dataset occurred within 2-years of the low record of the other in the 45 years' worth of data we have available seems to favour that concept.

Because when the Arctic Sea ice extent that was the singular focus of global sea ice reporting when it was plumbing record lows and is now entirely off the radar as it makes long-term highs and Antarctic extents become the flavour of the season, my "Spidey senses" start tingling that the driver for the newsworthiness of sea ice is ideology rather than objective scientific importance.

The second example is less probably media bias and more probably rank idiocy. There has been a constant stream of half-witted politicians and innumerate media hacks writing articles about Coles and Woolworths "price gouging" under the guise of passing through recent inflationary pressures (inflation primarily caused it should be drily noted by the idiocy of the political response to Covid) in their retail pricing.

These politicians' statements and media articles usually point out the wide difference between farm-gate prices and retail pricing at the checkout. In much the same way as a credulous populous was whipped into a frenzy through selective reporting to adhere to the Covid policy idiocy, people genuinely seem to believe this gibberish. Exactly as I did in Covid, I ignored the media and the went to the publicly available information (in this case the Woolworths Limited financial accounts). What I found instead was the following:

	FY2021	Margin	FY2023	Margin	Change FY23/FY21	
Revenue	$55.694B		$64,294B		+15.44%	
EBIT	$2,764M	4.96%	$3,116M	4.85%	+12.74%	(-2.22%)
NPAT	$1,504M	2.70%	$1,618M	2.52%	+7.58%	(-6.67%)

With political hyperbole and click-bait seeking media bias removed from the narrative to present only the GAAP figures, we can see a business that is operating as it scales exactly the way model capitalism should. That is to say that the benefits of scale are being shared almost perfectly with customers. In the table, from a 15.44% rise in revenues, only a 7.58% uplift in NPAT was observed. This means shareholders converted 49.09% of the additional revenues into profits and customers kept 50.91% of the foregone profits in the form of lower margins than if the status quo had been maintained.

If one were to describe "capitalism working in harmony", I'm pretty sure that the idea of capital owners sharing the benefits of scale approximately equally with their customers would for most reasonable people be the ideal. Readers should further consider that over the same two-year period described above, the Australian minimum wage rose by 14.26%. It would take a special breed of politically driven innumeracy to think that increasing the wage bill of the largest employer in the country by almost 15% over 2 years would have no influence over the prices at which they sell their goods…

There is much I could criticise Woolworths for. Gouging its customers would not even make the top 10 list… Costco is considered by many the most efficient retailer of groceries in the world. Their NPAT margin 2.62% for the last annual report available. Walmart is the largest listed grocer with revenues more than 5x that of Woolworths. Their NPAT margin over the past couple of years averages 2.13%. Coles NPAT margins are about 2.7% too. The 2.52% Woolworths generate strikes me as landing right "thereabouts".

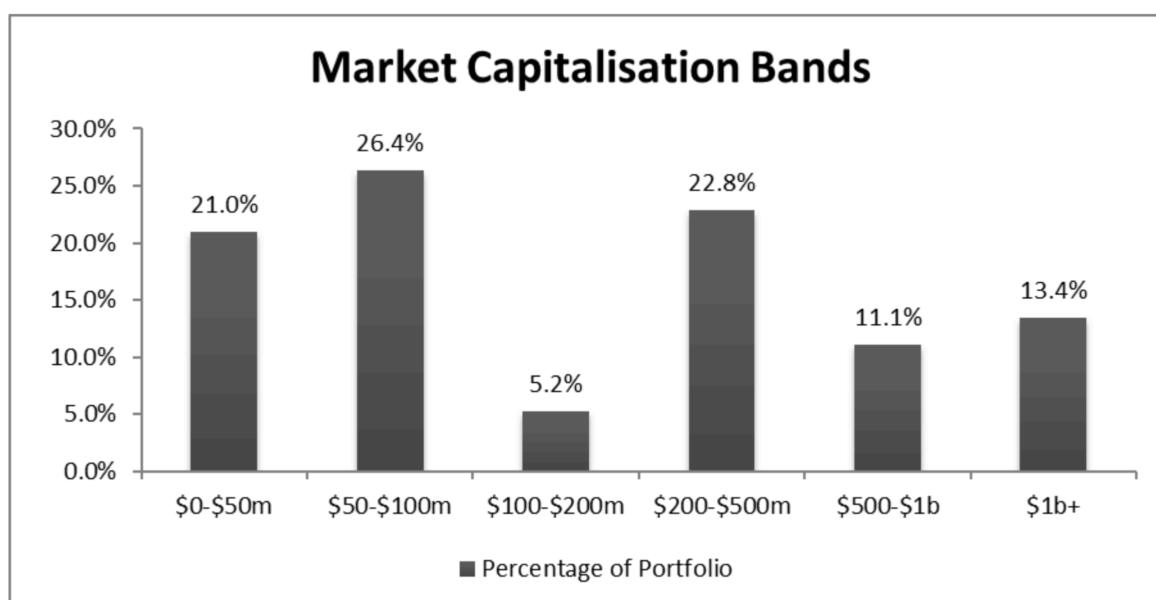
It feels like at scale, modern grocers after-tax margin settles somewhere between 2-3% and that if politicians are trying to draw attention to these lean, globally comparable margins, it is likelier than not it is because they are trying to distract you from their own incompetence as the primary cause of the higher prices from which you are suffering.

Key Portfolio Information: -

Our top 10 holdings on 31 January 2024 were:

Rank	Holding	Percentage Equity Weighting	Percentage Portfolio Weighting
1	Smartpay (SMP.ASX)	11.3%	10.9%
2	United Overseas Australia (UOS.ASX)	11.1%	10.7%
3	Shriro Holdings (SHM.ASX)	7.4%	7.2%
4	Tellus (unlisted)	7.4%	7.1%
5	Cettire (CTT.ASX)	6.8%	6.5%
6	Dicker Data (DDR.ASX)	6.6%	6.4%
7	PPK Group (PPK.ASX) inc. White Graphene pre-IPO holding & PPKME	5.4%	5.2%
8	Blackwall Limited (BWF.ASX)	4.6%	4.4%
9	Undisclosed	4.3%	4.1%
10	SDI Limited (SDI.ASX)	4.2%	4.0%

Our largest 5 holdings comprise 44% of our invested capital, our top 10 holdings are 69.2% and our top 15 represent 87.8%. Cash and cash equivalents are 3.9% of the portfolio. The median market capitalisation is $153.9m. Weighted average market capitalisation is $411m.



As always, investors with any questions, suggestions, comments, or investment ideas should feel free to call (0418 278 298), or send me an email – Tony@egpcapital.com.au

Fund Features		Portfolio Analytics	
Min. initial investment	**$50,000**	**Sharpe Ratio[1]**	**-0.16**
Additional investments	**$500k Maximum**	**Sortino Ratio[1]**	**0.16**
Applications/redemptions	**Monthly**	**Annualised Standard Dev. – EGP** **Annualised S/D - Benchmark**	**17.8%** **15.1%**
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**	**55.1%** **62.8%**
Auditor	**Ernst & Young**	**Cumulative return[2] – EGP** **Cumulative return[2] – Benchmark**	**14.3%** **72.5%**
Custodian/PB	**NAB Asset Services**	**1-year return[2] – EGP** **1-year return – Benchmark**	**5.4%** **7.1%**
Responsible Entity	**Fundhost Limited**	**3-year annualised return[2] – EGP** **3-year annualised – Benchmark**	**(3.6%)** **9.6%**
Fund Size	**$37m**	**5-year annualised return[2] – EGP** **5-year annualised – Benchmark**	**2.9%** **9.7%**
Mid-Price for EGPCVF Units **Accumulated Franking per Unit**	**$0.8796** **$0.0038**	**Buy Price for EGPCVF Units** **Sell Price for EGPCVF Units**	**$0.8809** **$0.8782**

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.

DISCLAIMER:

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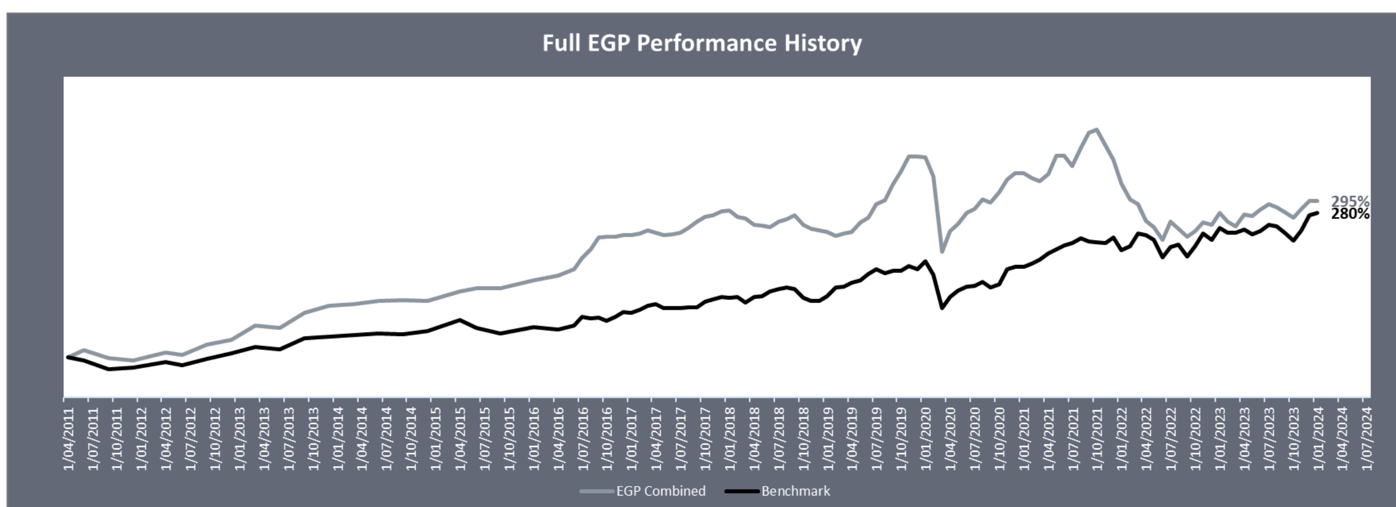
This report contains some forward-looking statements which reflect the expectations of EGP about the prospects of companies held within the portfolios of the funds. While EGP considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. Actual performance of the portfolio companies will be impacted by a variety of factors, including circumstances that cannot be foreseen, and could differ significantly from the expectations of EGP. These statements should therefore not be relied upon as an accurate representation or prediction as to any future matters. Where portfolio companies do not perform in line with EGP's expectations, the funds could be adversely impacted.

Appendix 1: -

Combined funds cumulative return since inception:



From:	Tellus Holdings Newsletter <newsletter@tellusholdings.com>
Sent:	Thursday, 19 October 2023 9:10 AM
To:	Tony Hansen
Subject:	Tellus builds baseload volume with major critical minerals deal

Tellus builds baseload volume with major critical minerals deal

19 October 2023

Dear Shareholders,

Hazardous waste produced in critical minerals processing now has a safe, permanent home following a deal between Tellus and a major global critical minerals production company with operations in Western Australia.

Tellus has agreed a contract to dispose of at least 20,000 tonnes per annum of waste at its Sandy Ridge facility, 240km northwest of Kalgoorlie. The deal, dated 1 October 2023, is for four years on 'take or pay' terms.

"The clean energy transition is well and truly underway. Australia is fortunate to be blessed with abundant natural resources including many critical minerals, but the creation of a domestic processing industry means more jobs and more investment in Australia. As a crucial link in the sustainable mining supply chain, we are the only waste company with the scale and ability to accept such large volumes of hazardous waste for permanent

disposal," said CEO Nate Smith.

This deal builds on Tellus' contract earlier this year for the acceptance and permanent disposal of 20,000 tonnes per annum of air pollution control residue (APCR) from a Western Australian Waste to Energy plant. These two deals alone constitute 40 per cent of Tellus' current annual licenced capacity and confirm the company's credentials as a key player in the global clean energy transition.

CEO Nate Smith also noted: "Tellus is trusted by top tier companies, government agencies and our local community to solve some of the toughest sustainability challenges today. We're proud to be playing a key role in protecting our environment and supporting jobs and investment here in Australia."

Media contact:
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About Tellus Holdings:
Tellus is an innovative environmental services company cleaning up hazardous materials across Australia by developing and operating geological repositories and reinvesting in its communities through the circular economy. Its first facility, Sandy Ridge, is located north of Kalgoorlie in WA and is Australia's first licensed commercial geological repository. It opened in early 2021 and can accept up to 100,000 tonnes per annum of hazardous materials in nearly any form (liquid, sludge, solid), typically without treatment, from across Australia and its Exclusive Economic Zone.

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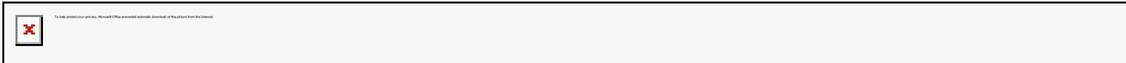
tony@egpcapital.com.au

From: Tellus Holdings Newsletter <newsletter@tellusholdings.com>
Sent: Tuesday, 31 October 2023 4:22 PM
To: Tony Hansen
Subject: World-class Chandler project given thumbs up by Titjikala community.



Shareholder update - World-class Chandler project given thumbs up by Titjikala community

31 October 2023

Dear Shareholders,

Tellus is excited to announce that it has received approval from the Titjikala native title group and the Central Land Council to develop the globally significant Chandler deep geological repository, near Alice Springs in the Northern Territory to accept both international and domestic low level radioactive materials. Chandler is an 800m deep underground salt deposit the size of a small city. It is one of the safest places on earth to permanently isolate various hazardous materials, including those produced as part of the transition to the green economy.

After more than 12 years of respectful engagement with the Titjikala community, facilitated by the Central Land Council, Tellus CEO Nate Smith was in Alice Springs to hear directly from Titjikala elders about their community's support for Tellus' proposal.

"We are so excited about Chandler, not just because we think this is the right project for

Australia, our region and our company, but also for the opportunity we have to partner with the Titjikala community to build a brighter economic future for the region," said Mr Smith. "We believe Chandler will be transformational for the local community, with industry leading indigenous employment goals."

This approval reflects the hard work Tellus has undertaken to gain the trust of the community and social licence to operate by the region's native title holders. It is also a best-practice example of consent-based siting for major projects, which Tellus looks to employ for all its current and future projects.

Chandler plans to have a dual revenue stream: it will be licensed to permanently isolate up to 400,000 tonnes per year of hazardous materials from Australia and from our strategic partners around the Asia-Pacific region, and to mine and export up to 800,000 tonnes per year of salt. Current estimates expect the project to create 100 years of jobs in three different economic centres in the NT (Darwin, Alice Springs and Titjikala).

Tellus, through both Chandler and Sandy Ridge, is supporting Australia's clean energy transition by providing a safe place for byproducts from critical minerals (including low level radioactive materials), solar and oil and gas decommissioning. To our knowledge, no project in the world will have these approvals. As evidence of this, Tellus has been invited to announce this achievement to the International Atomic Energy Agency's annual waste conference in Vienna, Austria in mid-November.

Globally significant, it builds further sovereign capability for Australia and will have the eye of AUKUS partners and Western governments.

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