

NovaPort Smaller Companies Fund

Monthly report - February 2023

Performance ¹	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a ²
Fund return (net)	-2.43	-1.41	-9.97	0.85	2.98	5.89	6.71	11.40
Growth return	-2.43	-2.36	-17.90	-3.90	-1.73	1.21	2.16	3.58
Distribution	0.00	0.95	7.93	4.75	4.71	4.68	4.54	7.82
S&P/ASX Small Ordinaries Accumulation Index	-3.70	-1.21	-7.97	4.24	3.56	4.88	1.91	6.73
Active return ³	1.27	-0.20	-2.01	-3.38	-0.58	1.01	4.79	4.67

Past performance is not a reliable indicator of future performance.

¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

² The inception date for the Fund is 31 December 2002

³ Numbers may not add due to rounding

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.

Responsible entity

Fidante Partners Limited

Investment manager

NovaPort Capital Pty Ltd

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort is a high conviction investor, which invests in a concentrated number of companies at any given time and consequently its investment portfolios typically have a lower turnover of securities.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years

Asset allocation	Actual %	Range %
Security	92.84	80-100
Cash	7.16	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.63	0.21	4.42
Ebos Group Ltd	4.21	0.00	4.21
EQT Holdings Limited	4.18	0.00	4.18
AUB Group Ltd	4.74	1.10	3.64
IPH Ltd	4.21	0.78	3.43

Fund facts	
Inception date	31 December 2002
Fund size	\$197.6M
APIR code	HOW0016AU

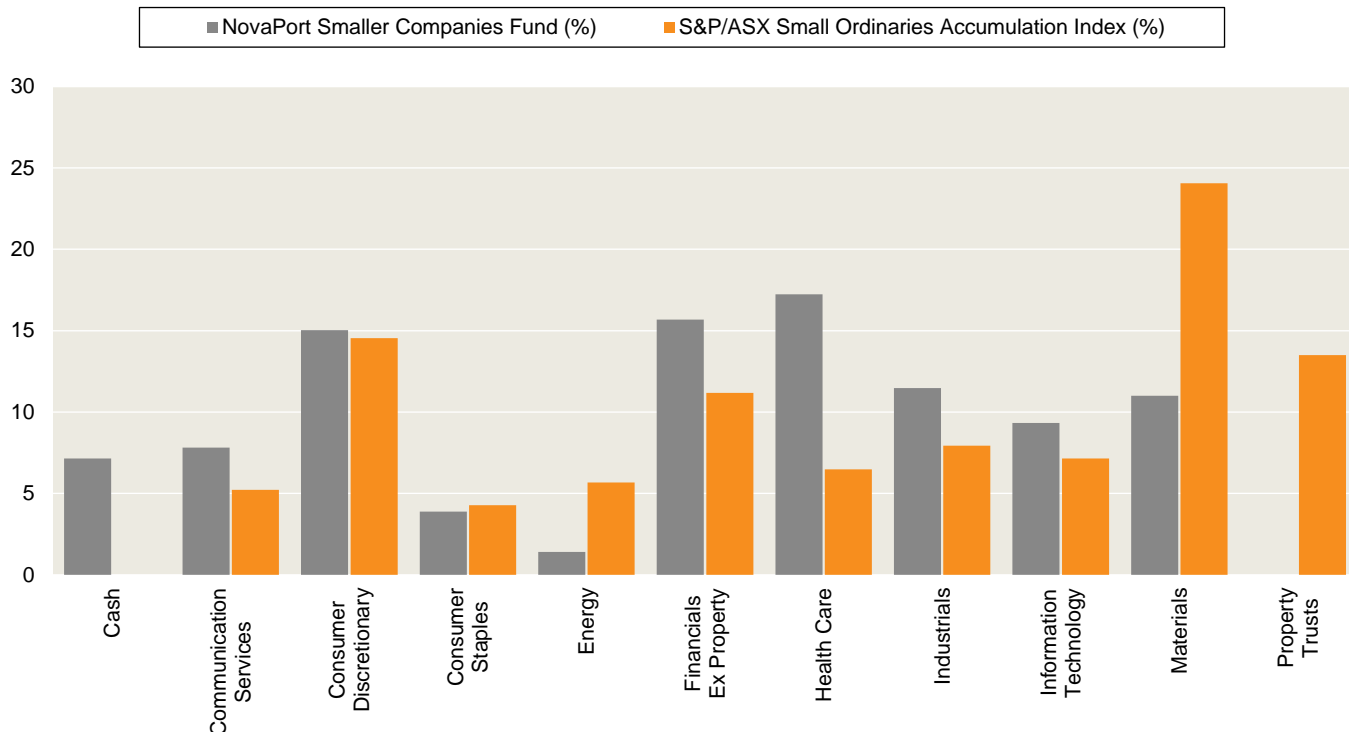
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 28 February 2023.

¹ Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee was reduced to 0.90% p.a.

² The performance fee was introduced from 1 October 2011

Sector exposure



Data Source: Fidante Partners Limited, 28 February 2023.

Market overview

Australian shares lost ground in February amid a deteriorating consumer outlook and commodity price weakness.

The ASX Small Ordinaries (Accumulation) Index fell 3.7% last month, with heavy falls for small resources (-9%) companies, although industrial stocks were also weaker (-1.7%).

Lithium prices continued to decline from elevated levels, while other major commodities such as gold, copper, nickel, and coal also fell.

A relatively lacklustre reopening of the Chinese economy and changing interest rate expectations were both headwinds for commodities.

Renewed hawkishness from the US Federal Reserve drove the US dollar high, which is generally negative for commodities, while expectations for sustained high rates has negative implications for economic growth.

The February reporting season generally showed strong results to the end of December, but post-Christmas trading has revealed some consumer weakness.

Retail and housing related companies – typically among the most sensitive to interest rates – pointed to more challenging conditions and analysts have cut earnings expectations accordingly.

Cost pressures for freight and energy were also felt widely, with some companies managing pricing well in response while others took a hit to margins.

Despite the consumer headwinds, sales and earnings remain sound, supported by robust employment and healthy infrastructure and resources construction.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.70% for February. The fund outperformed the market and delivered a -2.43% return over February.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
AUB Group Ltd	Financials Ex Property	3.64	0.63
Estia Health Ltd	Health Care	4.42	0.35
EQT Holdings Limited	Financials Ex Property	4.18	0.28

Data Source: Fidante Partners Limited, 28 February 2023.



AUB Group Ltd

AUB Group reported a solid result, buoyed by rising insurance premiums as well as recent acquisitions; from which the company continues to drive synergy gains.

Estia Health Ltd

Estia Health reported a half year result skewed to the later months of the half, driven largely by improved funding outcomes from the revised government funding plan. The company has seen continued improvement in occupancy and is beginning to see a more stable operating environment following significant COVID related disruptions.

EQT Holdings Limited

EQT Holdings result reflected some of the gains from the work done to drive efficiencies from its legacy businesses. A bright spot was the acquisition of AET, which offers substantial potential within the merged group. On the downside, the European operations have continued to lag their business case.

Key detractors

Security name	Sector	Active weight %	Value added %
Invocare Limited	Consumer Discretionary	3.10	-0.50
Nick Scali Ltd	Consumer Discretionary	1.64	-0.27
Baby Bunting Group Ltd	Consumer Discretionary	0.82	-0.24

Data Source: Fidante Partners Limited, 28 February 2023.

Invocare Limited

Invocare's earnings for the year disappointed the market. Despite a high level of activity, the group faced staff shortages which prevented it from capitalising on the market opportunity.

Nick Scali Ltd

Furniture retailer Nick Scali was sold off despite reporting a very strong interim profit. Signs of slowing demand post-Christmas triggered the negative market reaction, although sales remain solid relative to pre-lockdown trading. The weak share price reaction should be understood in the context of sharp share price rally ahead of the result. Nick Scali remains well run and modestly.

Baby Bunting Group Ltd

Baby Bunting's share price weakness over the December quarter extended into last month with the release of the interim result. While the recovery in profit margin in response to various initiatives was positive and trends on some costs including freight are favourable, revenue was below expectations as COVID conditions normalise with customers now able to purchase products from a number of alternatives that were not accessible during lockdowns.

For further information, please contact:

Fidante Partners Investor Services | 13 51 53 | email: info@fidante.com.au | website: www.fidante.com.au

This material has been prepared by NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort), the investment manager of the NovaPort Smaller Companies Fund ARSN 094 601 475 (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. NovaPort and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, NovaPort and Fidante Partners may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

