

NovaPort Microcap Fund

Quarterly report - March 2020

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)	-26.18	-31.78	-22.92	-5.49	0.27	6.28	6.95	6.90
Growth return	-26.18	-31.78	-25.57	-6.97	-1.20	4.98	2.94	2.90
Distribution	0.00	0.00	2.65	1.48	1.47	1.30	4.01	4.00
S&P/ASX Small Ordinaries Accumulation Index	-22.38	-26.72	-21.02	-1.33	2.52	1.10	2.66	2.39
Active return ³	-3.80	-5.06	-1.90	-4.16	-2.25	5.18	4.29	4.51

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 22 March 2005

³ Numbers may not add due to rounding

Investment objective

The Fund aims to outperform its benchmark over rolling seven-year periods through the investment in a diversified portfolio of micro-cap Australian companies.

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 seven years

Asset allocation	Actual %	Range %
Security	82.72	80-100
Cash	17.28	0-20

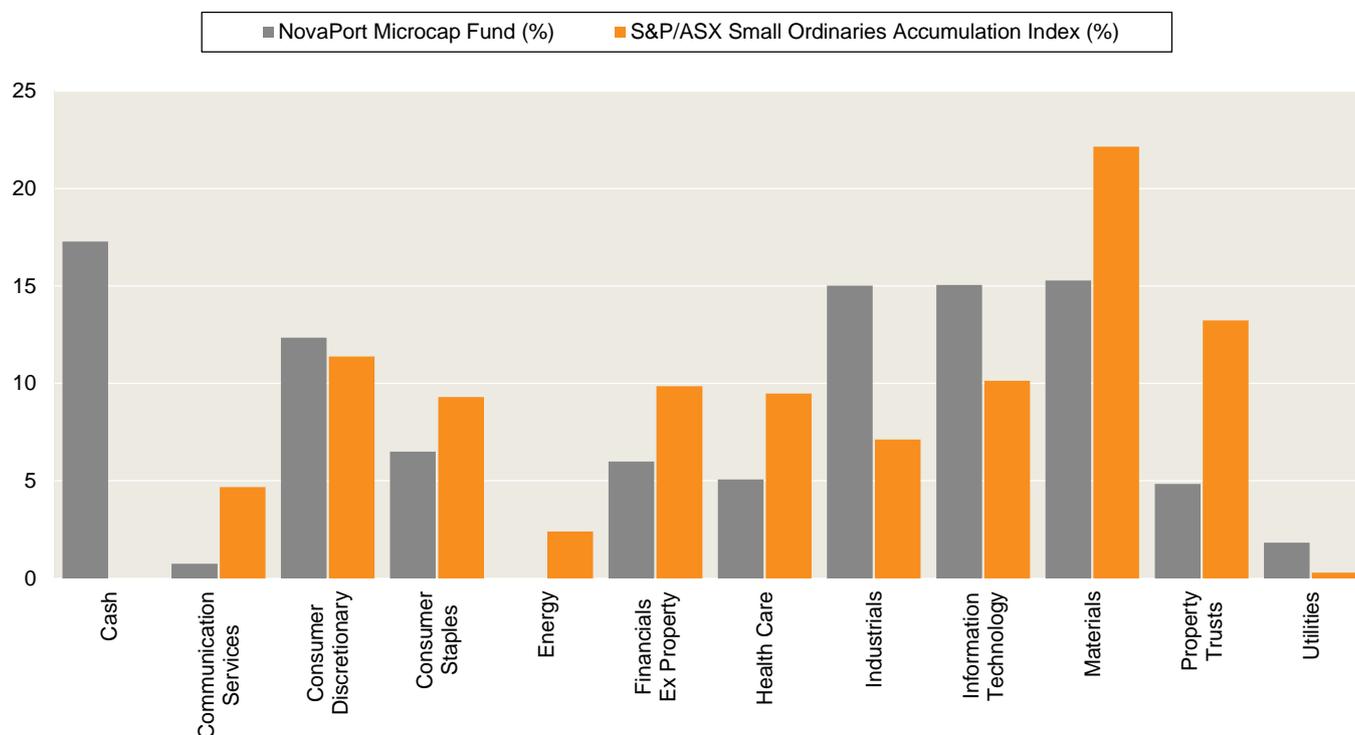
Top 5 active positions	Fund weight %	Index weight %	Active weight %
360 Capital Group	4.85	0.00	4.85
Southern Cross Electrical Engineering Ltd	4.28	0.00	4.28
Data#3 Ltd	4.32	0.37	3.96
West African Resources Ltd	4.16	0.25	3.91
Clover Corp Ltd	3.82	0.00	3.82

Fund facts	
Inception date	22 March 2005
Fund size	\$61.7M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2016-2017 ICR	2.16%
Management fee	1.50%
Performance fee	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).
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 March 2020.

Sector exposure



Data Source: Fidante Partners Limited, 31 March 2020.

Market overview

Global equity markets fell heavily in March as the COVID-19 developed into a global pandemic. Share prices fell sharply in one of the quickest sell-offs on record. The ASX Small Ordinaries (Accumulation) Index plunged into bear market territory, falling 22.4% last month.

After a solid January (+3.4%), and the beginnings of the viral sell-off in February (-8.7%), the March slump resulted in a 26.7% fall for the quarter.

Severe bushfires impacted some businesses in December and January, weighing on a fragile economic expansion. The February reporting season was generally in line with expectations, although earnings confirmed an underlying softness in the economy, with downgrades exceeding upgrades. Management outlook statements soon became redundant as potential risks relating to COVID-19 were realised.

In order to control the virus, whole sectors of the Australian and global economies have been shut down, while others have been restricted in the provision of goods and services. Subsequently, revenues for some businesses such as retailers, restaurants, and tourism operators have collapsed. A swathe of companies rushed to drop earnings guidance issued only weeks earlier. Many also suspended or cancelled dividend payments in order to preserve cash and protect their balance sheets.

The mix of share price performance reflects the fact that some companies are relatively better off in the new pandemic economy. Industrials fell 23% in March, while resources suffered less, shedding 18%. At a sector level consumer discretionary and financial stocks fell hardest; healthcare and information technology fared better. In the resources sector, mining was relatively robust while energy fell dramatically as oil prices hit 17-year lows.

The combination of plunging demand due to the virus and a price war between major oil producers Russia and Saudi Arabia put severe pressure on prices. Positively, large-scale relief measures were announced by governments and central banks to mitigate the impact of the virus. Ongoing volatility is likely as investors assess the duration and depth of the economic downturn and the speed of the post-virus recovery.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -26.72% for the quarter. The fund underperformed the market and delivered a -31.78% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
West African Resources Ltd	Materials	3.91	0.81
Data#3 Ltd	Information Technology	3.96	0.64
Webjet Limited	Consumer Discretionary	-0.33	0.36

Data Source: Fidante Partners Limited, 31 March 2020.



West African Resources Ltd

WAF completed construction and poured first gold at its Sanbrado gold project in Burkina Faso during the period. Coupled with the strong gold price environment this saw strong support for the share price.

Data#3 Ltd

Conservatively geared, over the years Data #3 has transitioned from a "box" reseller to a managed services business helping companies migrate to the cloud. Work from home and increasing dependence on cyber security and remotely provided services will be demand drivers beyond COVID.

Webjet Limited

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Viva Leisure Ltd	Consumer Discretionary	2.75	-1.65
Somnomed Limited	Health Care	2.36	-1.10
Fisher & Paykel Healthcare Corporation Limited	Health Care	-2.83	-0.92

Data Source: Fidante Partners Limited, 31 March 2020.

Viva Leisure Ltd

While gym operators are under significant pressure with 100% shut downs and immaterial alternative revenue generating options (eg. online), Viva Leisure is well funded and appears able to withstand a complete lockdown of its facilities until December without the potential need for an equity raising.

Somnomed Limited

Dental practices are the companies most important channel to market and their operations have been disrupted by the pandemic. The company undertook a capital raising to provide it with working capital to cope with the decline in demand.

Fisher & Paykel Healthcare Corporation Limited

Not held by the fund.

For further information, please contact:

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