

NovaPort Microcap Fund

Quarterly report - June 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)	-0.80	23.91	-4.17	1.87	5.58	9.18	8.81	8.29
Growth return	-1.05	23.61	-4.83	0.19	4.06	7.86	4.72	4.29
Distribution	0.25	0.31	0.67	1.68	1.52	1.32	4.09	4.00
S&P/ASX Small Ordinaries Accumulation Index	-1.95	23.90	-5.67	6.10	7.89	4.57	3.96	3.80
Active return ³	1.15	0.01	1.51	-4.24	-2.31	4.61	4.85	4.50

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	83.01	80-100
Cash	16.99	0-20

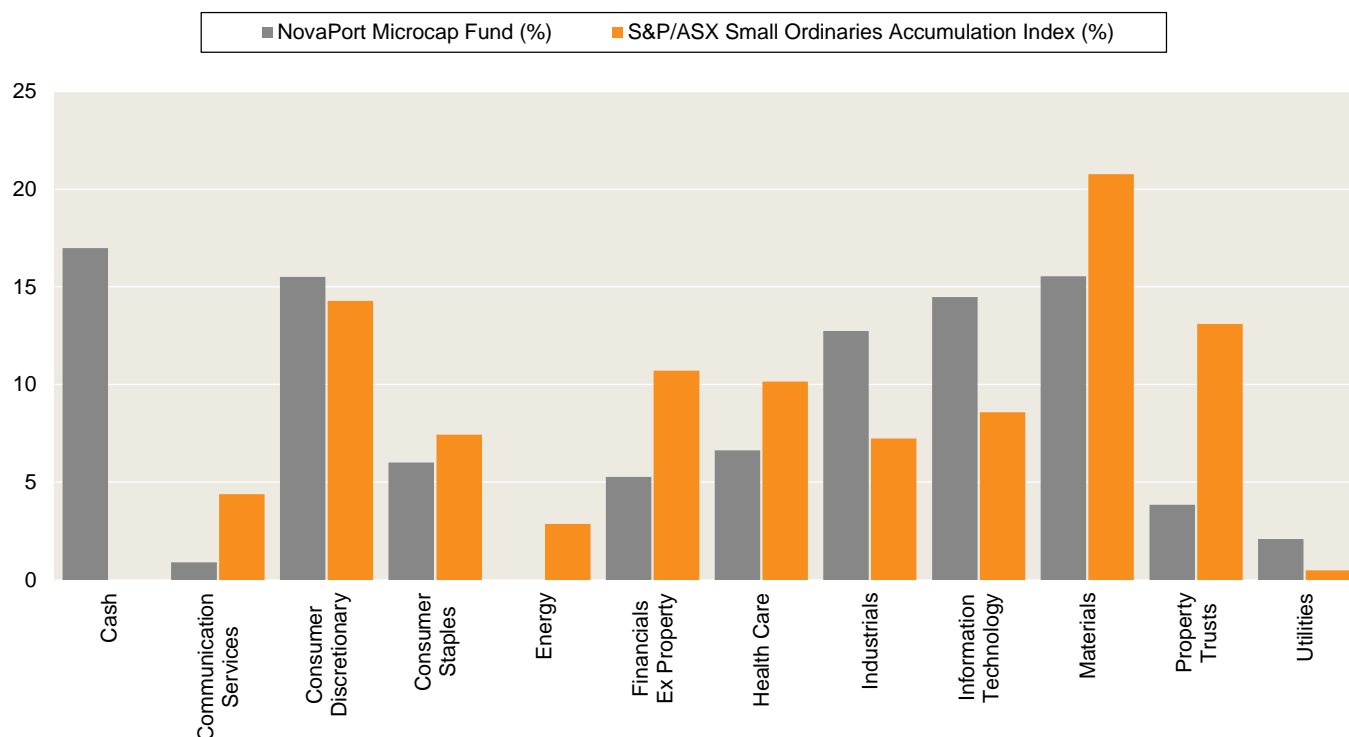
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Viva Leisure Ltd	5.45	0.00	5.45
West African Resources Ltd	5.70	0.42	5.28
Mincor Resources NI	4.20	0.00	4.20
Baby Bunting Group Ltd	4.40	0.22	4.19
Data#3 Ltd	4.52	0.37	4.15

Fund facts	
Inception date	22 March 2005
Fund size	\$77.9M
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, 30 June 2020.

Sector exposure



Data Source: Fidante Partners Limited, 30 June 2020.

Market overview

Australian small companies shed 2% in June as concerns over a second wave of COVID-19 infections took the shine off a very strong quarter for markets.

Rising global infection numbers crimped risk appetite, but the ASX Small Ordinaries (Accumulation) Index still posted a massive 24% gain for the three months ended 30 June.

The easing of health-related economic restrictions, and supportive fiscal and monetary policy, drove the dramatic rebound in equities in April and May.

Positive earnings updates from several companies, notably in the retail sector, reflected an underlying resilience from the Australian consumer. Uncertainty remains over the durability of consumer strength with government stimulus and bank mortgage freezes due to taper or cease entirely in September.

House price falls, while modest to date, are accelerating in Sydney and Melbourne and construction work is expected to dwindle in the December quarter.

By sector, discretionary, financials, and materials performed best in the June quarter. Consumer staples, real estate and industrials underperformed. Small resources stocks outperformed small industrials, while small caps outperformed large caps.

Despite robust trading updates from several companies, forward earnings visibility remains very low. However, company balance sheets are generally in better condition following a flurry of equity capital raisings.

The August reporting season will give much needed clarity on the outlook for corporate earnings. Until then, the escalating health crisis and its potential economic impact, and the response from governments and central banks, will dominate news flow.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +23.90% for the quarter. The fund outperformed the market and delivered a +23.91% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Viva Leisure Ltd	Consumer Discretionary	5.45	4.42
West African Resources Ltd	Materials	5.28	3.54
Mincor Resources NI	Materials	4.20	1.18

Data Source: Fidante Partners Limited, 30 June 2020.



Viva Leisure Ltd

Has re-opened its fitness centres earlier than expected with membership trends looking favourable despite lingering COVID related concerns. While at risk of infection outbreaks forcing another round of closures, management execution has proven very effective based on recent experience.

West African Resources Ltd

West African Resources is establishing its credentials as a profitable gold producer. The company has enjoyed some early success at its high margin gold mine in Burkina Faso. Higher gold prices have also boosted profitability.

Mincor Resources NI

Mincor continues to make solid progress in returning to nickel production from its Kambalda assets. The company has consolidated a valuable resource inventory and is substantially funded to deliver its mine plans.

Key detractors

Security name	Sector	Active weight %	Value added %
360 Capital Group	Property Trusts	3.84	-1.12
Southern Cross Electrical Engineering Ltd	Industrials	3.39	-1.05
CTI Logistics Ltd	Industrials	1.16	-0.88

Data Source: Fidante Partners Limited, 30 June 2020.

360 Capital Group

TGP Capital drifted on little news. The company has a strong cash position and several emerging fund management businesses. Management have a demonstrated track record of adding value to shareholders.

Southern Cross Electrical Engineering Ltd

Not held by the fund.

CTI Logistics Ltd

Overall weakness across the WA economy continues to weigh on CTI's share price and is expected to be the case over most of the current financial year.

For further information, please contact:

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

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