

# NovaPort Microcap Fund

## Quarterly report - September 2020

Performance <sup>1</sup>	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	4.68	15.05	-1.80	4.19	9.16	9.03	8.96	9.14
Growth return	4.65	15.02	-2.48	2.48	7.58	7.73	4.86	5.17
Distribution	0.02	0.03	0.68	1.71	1.58	1.30	4.10	3.97
S&P/ASX Small Ordinaries Accumulation Index	-2.82	5.67	-3.33	6.52	9.96	3.53	3.50	4.11
Active return <sup>3</sup>	7.49	9.38	1.53	-2.33	-0.81	5.50	5.47	5.03

**Past performance is not a reliable indicator of future performance.**

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

<sup>2</sup> The inception date for the Fund is 22 March 2005

<sup>3</sup> 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	88.54	80-100
Cash	11.46	0-20

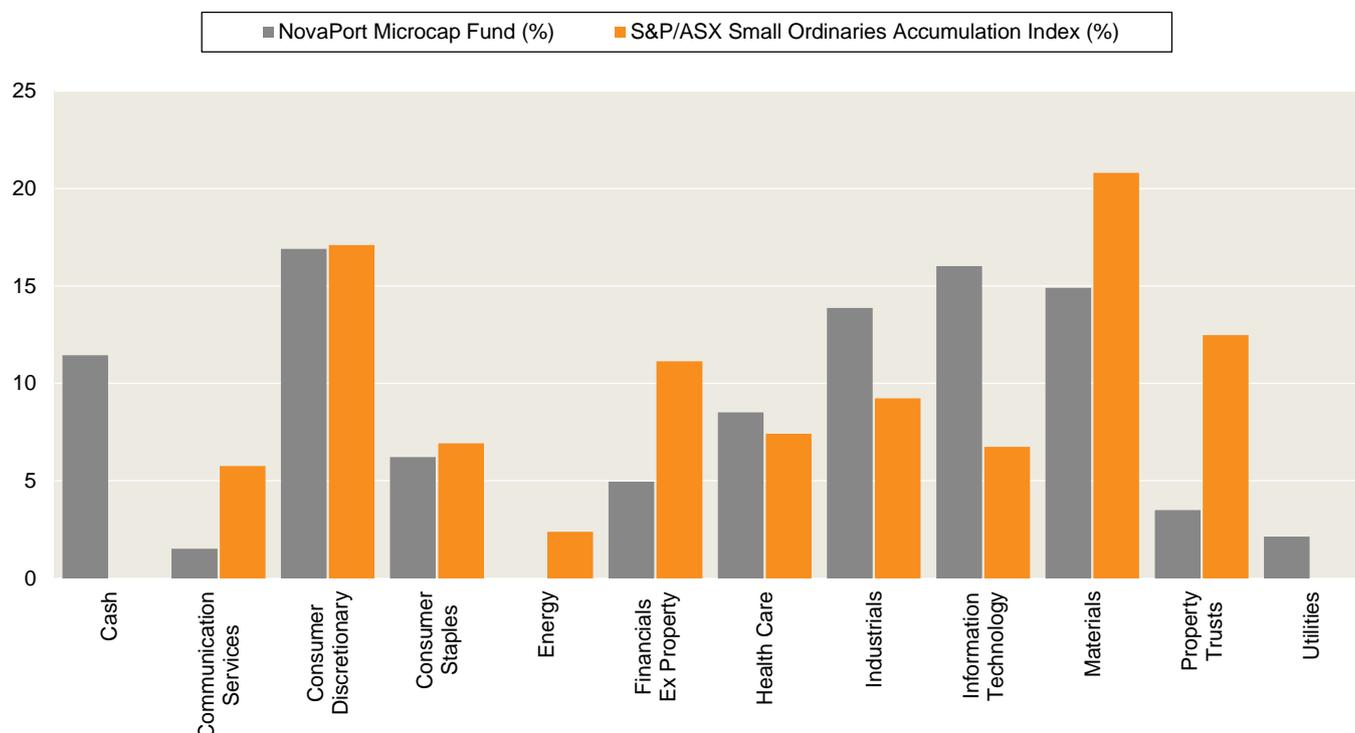
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Data#3 Ltd	5.92	0.48	5.44
Baby Bunting Group Ltd	5.58	0.27	5.31
Viva Leisure Ltd	4.45	0.00	4.45
West African Resources Ltd	4.65	0.44	4.20
Mincor Resources NI	4.16	0.00	4.16

Fund facts	
Inception date	22 March 2005
Fund size	\$85.9M
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 September 2020.

## Sector exposure



Data Source: Fidante Partners Limited, 30 September 2020.

## Market overview

Global equity markets fell in September as investors rotated from growth stocks into cyclicals in anticipation of a stronger economy. US technology stocks led the selling with the NASDAQ Index falling 5.2%, giving up part of its enormous 9.6% rally in August. Locally, growth and tech names were also weak relative to cheaper, economically sensitive stocks.

The ASX Small Ordinaries (Accumulation) Index fell 2.8% last month, but still closed up 5.7% for the quarter after strong performance in July and August. Small companies continue to outperform large caps (-3.7% in September) while small industrials (-2.3%) outperformed small resources (-4.9%).

The August reporting season met downgraded earnings expectations which combined with a better outlook to drive small caps higher. Moves to reopen the economy, ongoing fiscal and monetary stimulus, and the lack of alternative investment opportunities have proven a powerful tailwind for stock prices.

Changes to US Federal Reserve monetary policy to target average inflation rates sparked some fears that rising prices and bond yields could undermine growth stocks. However, both inflation US Treasury yields remain at very low levels. Domestically the Reserve Bank of Australia (RBA) remains extremely accommodative and speculation is mounting that the RBA may cut interest rates further.

Renewed COVID-19 outbreaks across Europe and the US are prompting a mix of secondary lockdowns and restrictions, although the general push to reopen economics remains intact. In Australia, uncertainty lingers over the easing of restrictions in Victoria, but major additional fiscal stimulus in the upcoming October budget could buoy equities.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +5.67% for the quarter. The fund outperformed the market and delivered a +15.05% return over the quarter.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Data#3 Ltd	Information Technology	5.44	1.78
Somnomed Limited	Health Care	3.45	1.75
Baby Bunting Group Ltd	Consumer Discretionary	5.31	1.62

Data Source: Fidante Partners Limited, 30 September 2020.



## Data#3 Ltd

Investor sentiment for technology exposures in a COVID world continues at a high level with Data #3' recently confirming a positive outlook for demand longer term as clients expand on initiatives expedited by the pandemic. In particular, increased emphasis on remote working going forward, cyber security, data analytics and IT mobility in general augurs well for demand.

## Somnomed Limited

Somnomed's business is emerging from a sharp downturn associated with the initial impact of the COVID-19 outbreak. With dentists and sleep labs resuming operations referral patterns have started to normalise. The company undertook a capital raising which has delivered a balance sheet capacity to pursue opportunities as its markets recover.

## Baby Bunting Group Ltd

A strong full year result in August validated Baby Bunting's position as one of the preferred retail exposures for ex-100 investors. Positive investor sentiment continued into September with anecdotal evidence suggesting customer activity online and in stores was holding up at buoyant levels.

## Key detractors

Security name	Sector	Active weight %	Value added %
Viva Leisure Ltd	Consumer Discretionary	4.45	-0.85
Mesoblast Limited	Health Care	-1.24	-0.45
EnviroSuite Ltd	Information Technology	0.73	-0.42

Data Source: Fidante Partners Limited, 30 September 2020.

## Viva Leisure Ltd

Following a significant recovery in share price since the March low, Viva was impacted by some profit taking over the quarter. Nevertheless, the fundamental outlook remains positive with solid activity levels post easing of restrictions and success in mitigating membership cancellations over the COVID period. Expansion opportunities following the recent Australian Fitness Management acquisition adds another growth option.

## Mesoblast Limited

Not held by the fund.

## EnviroSuite Ltd

EnviroSuite's share price fell over concerns about the viability of its Chinese operations and partners. The company has sought to get a foothold in the vast Chinese market however it is still only a small part of its business. EnviroSuite offers technologies to help company's report and manage their operational environmental risks. This includes noise, odour, dust and water management.

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### For further information, please contact:

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