

# NovaPort Microcap Fund

## Quarterly report - December 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)	1.77	12.56	9.47	4.63	10.90	8.70	9.70	9.80
Growth return	1.18	11.91	8.54	2.77	9.32	7.34	5.53	5.83
Distribution	0.59	0.65	0.93	1.86	1.57	1.36	4.17	3.97
S&P/ASX Small Ordinaries Accumulation Index	2.76	13.83	9.21	6.56	10.45	3.77	4.36	4.90
Active return <sup>3</sup>	-0.99	-1.27	0.26	-1.93	0.44	4.93	5.34	4.91

**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	87.62	80-100
Cash	12.38	0-20

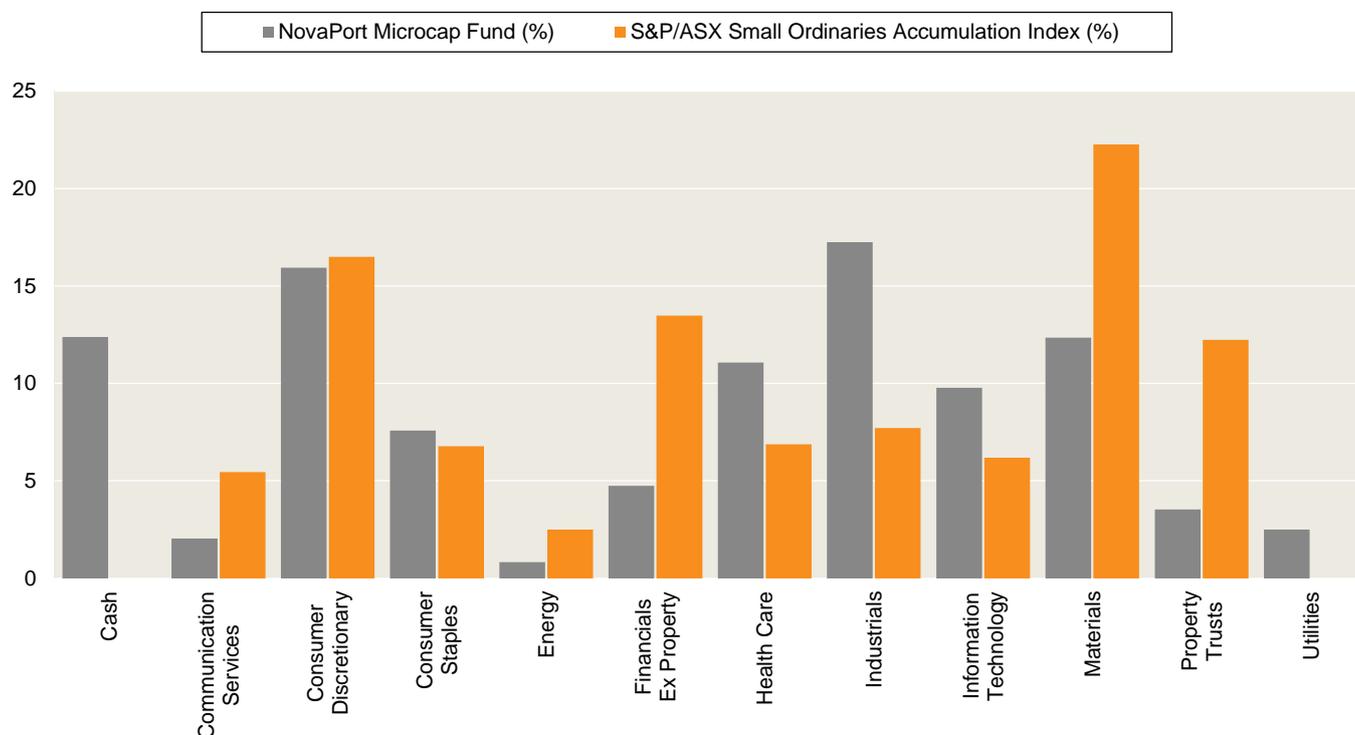
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Mincor Resources NI	5.24	0.00	5.24
Think Childcare Ltd	4.87	0.00	4.87
Australian Vintage Ltd	4.43	0.00	4.43
Viva Leisure Ltd	3.89	0.00	3.89
Southern Cross Electrical Engineering Ltd	3.86	0.00	3.86

Fund facts	
Inception date	22 March 2005
Fund size	\$88.5M
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 December 2020.

## Sector exposure



Data Source: Fidante Partners Limited, 31 December 2020.

## Market overview

Small cap stocks rallied in December, driven by huge stimulus measures, positive news flow regarding vaccine efficacy by three pharmaceutical companies and growing confidence in a global economic rebound.

The ASX Small Ordinaries (Accumulation) Index rose 2.8% last month, capping off a very strong quarter (+13.8%) driven primarily by the 10.3% surge in November.

The Australian government's October budget and Joe Biden's victory in the US election reinforced confidence that strong fiscal stimulus would buttress both the domestic and global economic recoveries.

The prospect of a Democrat majority in the US Senate has subsequently fuelled expectations of even greater fiscal support in the world's biggest economy. Anticipated further stimulus, combined with ultra-loose monetary policy, has driven stronger global GDP growth expectations and raised questions about the return of inflation.

This macroeconomic backdrop saw the rotation out of high valuation growth stocks into economically sensitive and cyclical stocks continue last month.

Small resources outperformed dramatically, rising 8.7% for December and 20.3% for the quarter, compared with industrial stocks gaining 2.8% and 12.2%, respectively.

By sector, materials and energy performed best last month, while technology and staples were weakest.

Renewed COVID-19 outbreaks in Australia and far more serious outbreaks in Europe, the US and the UK, have prompted some caution. However, the prospect of widespread vaccination programs in the first half of 2021 is supportive for economic reopening.

Investors will be watching for increased US stimulus support and the successful and timely rollout of vaccines as we head into the February reporting season.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +13.83% for the quarter. The fund underperformed the market and delivered a +12.56% return over the quarter.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Think Childcare Ltd	Consumer Discretionary	4.87	2.15
Mesoblast Limited	Health Care	-0.48	0.85
Mincor Resources NI	Materials	5.24	0.72

Data Source: Fidante Partners Limited, 31 December 2020.



## Think Childcare Ltd

While recent operational updates have been positive, the share price was boosted by two takeover proposals announced within weeks of each other in November. The board is yet to provide a formal recommendation to shareholders.

## Mesoblast Limited

Not held by the fund.

## Mincor Resources NI

Nickel prices rose during December providing further support to the investment case for Mincor. Increased use of batteries in cars and electricity distribution networks is expected to create a fast growing new source of nickel demand in the future.

## Key detractors

Security name	Sector	Active weight %	Value added %
West African Resources Ltd	Materials	-0.38	-1.09
Clover Corp Ltd	Materials	2.28	-0.94
Somnomed Limited	Health Care	3.09	-0.77

Data Source: Fidante Partners Limited, 31 December 2020.

## West African Resources Ltd

The price of shares in gold miner West African Resources weakened in line with a fall in the gold prices.

## Clover Corp Ltd

Clover's price has declined on uncertainty regarding the prospect for sales of Australian infant formula into the China market in light of recent political friction spilling over into punitive trade related measures. Longer term however, Clover remains well positioned globally as a supplier of fish oil ingredients for infant formula manufacturers.

## Somnomed Limited

Somnomed's sleep apnoea device sales channel relies on new diagnoses from sleep labs as well as referrals from dentists. The resurgence of COVID cases in its two largest markets (Europe and North America) will once again disrupt the business. The rapid recovery in volumes following the first wave, combined with the strengthened balance sheet, gives us confidence in the future for Somnomed.

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### For further information, please contact:

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