

NovaPort Microcap Fund

Quarterly report - March 2021

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)	1.71	5.86	69.87	7.21	11.61	9.17	9.14	10.04
Growth return	1.71	5.86	68.43	5.31	10.05	7.80	5.03	6.12
Distribution	0.00	0.00	1.44	1.91	1.56	1.37	4.11	3.92
S&P/ASX Small Ordinaries Accumulation Index	0.79	2.09	52.15	8.31	10.69	4.11	3.67	4.95
Active return ³	0.93	3.77	17.72	-1.09	0.92	5.06	5.47	5.08

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	88.23	80-100
Cash	11.77	0-20

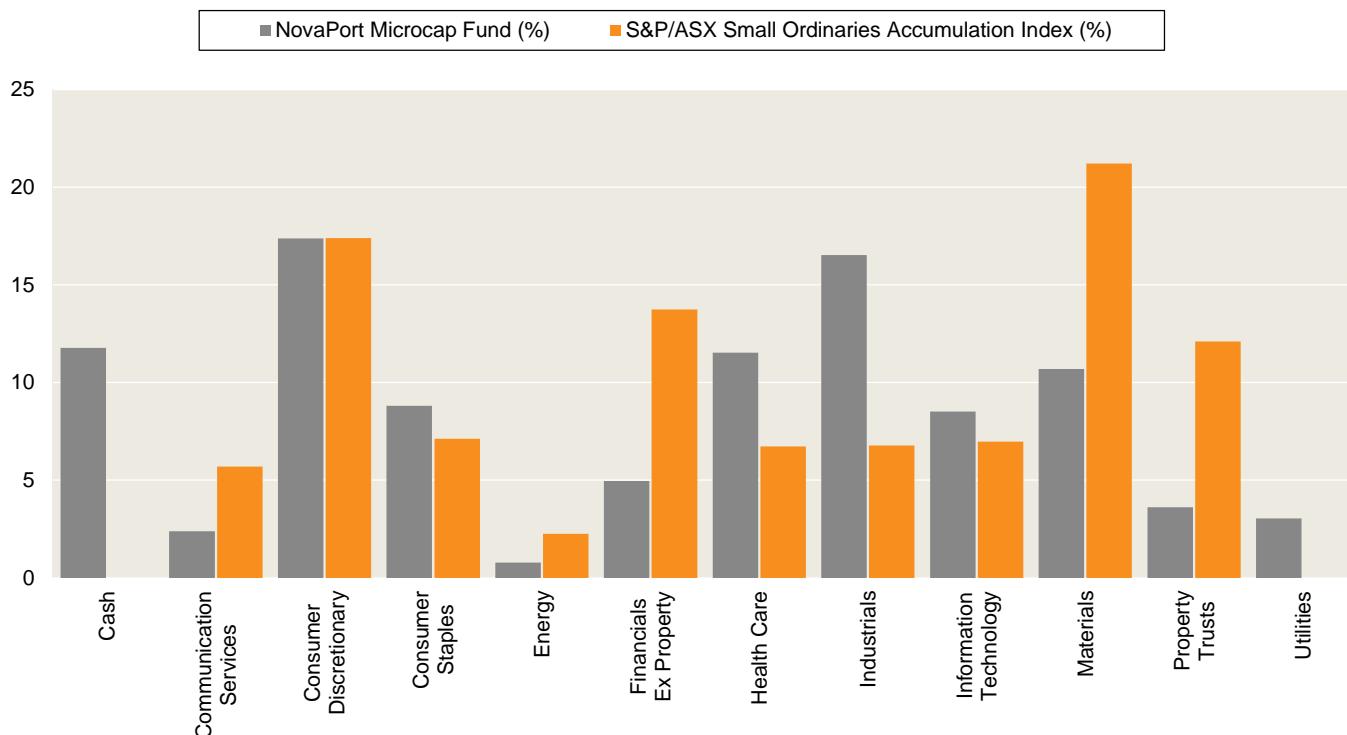
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Think Childcare Ltd	5.82	0.00	5.82
Australian Vintage Ltd	4.89	0.00	4.89
Good Drinks Australia Ltd	3.93	0.00	3.93
Mincor Resources NI	3.73	0.00	3.73
Monash IVF Group Limited	3.72	0.00	3.72

Fund facts	
Inception date	22 March 2005
Fund size	\$90.4M
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 2021.

Sector exposure



Data Source: Fidante Partners Limited, 31 March 2021.

Market overview

Equities rose in March following a strong corporate reporting season and sustained positive economic data. The ASX Small Ordinaries (Accumulation) Index rose 0.8% last month, rounding out a 2.1% gain for the quarter.

Australian stocks underperformed global equity indices and local small caps were weaker than large caps.

Small resources stocks shed 3% in March after a very strong run as commodity prices retraced recent gains. Small industrials rose 0.8%.

Australian economic data including employment, house prices, and business and consumer sentiment continued to strengthen, supporting positive company outlooks provided in February earnings updates.

The combination of momentum and optimism suggest the end of the huge JobKeeper wage subsidy program this month should not derail the economic upswing.

Despite hiccups in the vaccine rollout program and resurgent COVID-19 outbreaks globally, the pathway out of lockdown looks clear.

In the United States, President Biden's US\$1.9 trillion stimulus package will add further impetus to the very strong recovery already taking place in the world's biggest economy. Indeed, the tension remains between strong growth supporting markets, and too much growth potentially igniting inflationary pressures that could force an end to easy monetary policy.

Bond yields appear to have stabilised after a tumultuous period earlier this quarter. However markets will be closely reading inflation data and central bank commentary for any sign of a looming change in monetary policy.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +2.09% for the quarter. The fund outperformed the market and delivered a +5.86% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Think Childcare Ltd	Consumer Discretionary	5.82	1.91
Australian Vintage Ltd	Consumer Staples	4.89	0.96
Good Drinks Australia Ltd	Consumer Staples	3.93	0.81

Data Source: Fidante Partners Limited, 31 March 2021.

Think Childcare Ltd

Think Childcare's price was boosted over the March quarter with one of its two suitors lifting its takeover price to \$2.10 from the initial \$1.75 bid announced in November last year. Meanwhile, declining unemployment levels and re-opening activity points to higher occupancy rates ahead compared to last year's virus-impacted levels.

Australian Vintage Ltd

The Australian Wine industry has been working off a decades long hangover resulting from past over-investment. During this time Australian Vintage has undertaken substantial transformation. Rationalisation of wineries, brands and supply was necessary but painful. The company is finally enjoying the benefits from this work with more efficient production and branded sales driving better selling prices and margins.

Good Drinks Australia Ltd

Management executed well during the pandemic and its continued attention to the sales channel paid off with Good Drinks raising its profile during the re-opening at a time some of its competitors elected to withdraw selling support during tougher operating conditions last year.

Key detractors

Security name	Sector	Active weight %	Value added %
Lynas Rare Earths Ltd	Materials	-2.23	-0.80
Mincor Resources NI	Materials	3.73	-0.63
Southern Cross Electrical Engineering Ltd	Industrials	3.35	-0.53

Data Source: Fidante Partners Limited, 31 March 2021.

Lynas Rare Earths Ltd

Not held by the fund.

Mincor Resources NI

Following a period of strong performance Mincor's share price has consolidated, in part due to weaker Nickel Prices, but also as a response to expectations of limited news flow while the company gets to work developing its Kambalda Nickel mines. The Kambalda region is a strategic supplier of clean, high grade ore. The region is highly prospective and its geology and ground conditions are well understood, providing opportunity for further growth initiatives.

Southern Cross Electrical Engineering Ltd

Southern Cross was weaker following a lacklustre interim result. The outlook for electrical engineering work remains robust and the contracting group is supported by attractive valuation metrics.

For further information, please contact:

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