

NovaPort Microcap Fund

Quarterly report - June 2022

| 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) | -8.93 | -18.92 | -12.20 | 6.23 | 5.75 | 9.02 | 4.91 | 8.70 |
| Growth return | -16.94 | -26.05 | -21.08 | -2.37 | -0.34 | 5.34 | 1.80 | 3.65 |
| Distribution | 8.01 | 7.13 | 8.88 | 8.59 | 6.09 | 3.68 | 3.11 | 5.05 |
| S&P/ASX Small Ordinaries Accumulation Index | -13.09 | -20.39 | -19.52 | 0.38 | 5.07 | 5.37 | 0.38 | 3.77 |
| Active return ³ | 4.15 | 1.47 | 7.32 | 5.85 | 0.68 | 3.65 | 4.52 | 4.93 |

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 | 81.49 | 80-100 |
| Cash | 18.51 | 0-20 |

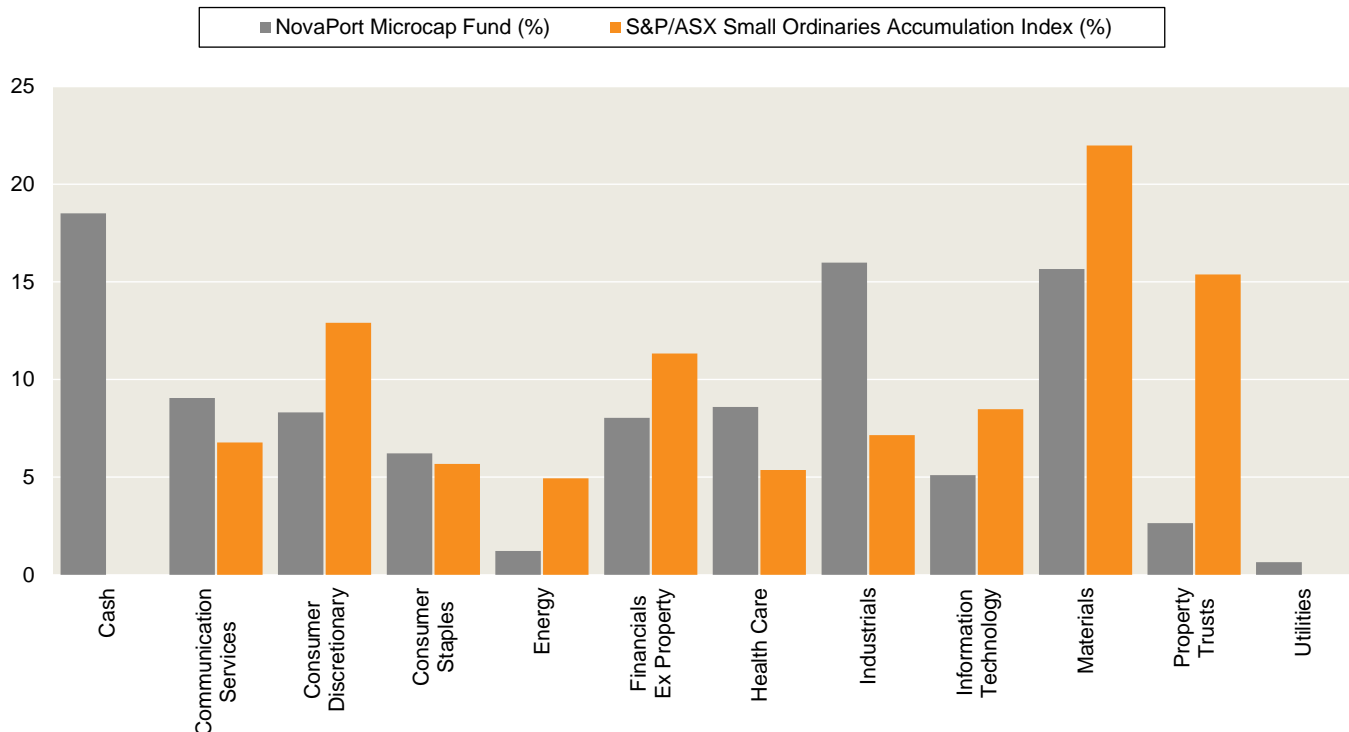
| Top 5 active positions | Fund weight % | Index weight % | Active weight % |
|-----------------------------|---------------|----------------|-----------------|
| Monash IVF Group Limited | 4.44 | 0.00 | 4.44 |
| GR Engineering Services Ltd | 4.31 | 0.00 | 4.31 |
| NZME Ltd | 3.97 | 0.00 | 3.97 |
| Capral Limited | 3.75 | 0.00 | 3.75 |
| IVE Group Ltd | 3.59 | 0.00 | 3.59 |

| Fund facts | |
|----------------|---------------|
| Inception date | 22 March 2005 |
| Fund size | \$71.9M |
| APIR code | HOW0027AU |

| Fees | |
|-----------------|---|
| Entry fee | Nil |
| 2020-2021 ICR | 1.50% |
| 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 2022.

Sector exposure



Data Source: Fidante Partners Limited, 30 June 2022.

Market overview

Australian equities fell sharply in June as slowing economic growth and interest rate hikes spark fears of recession and weaker company profits.

The ASX Small Ordinaries (Accumulation) Index plunged 13.1% last month, dragging the benchmark down 20.4% for the June quarter.

Share markets were softer globally as central banks, led by the powerful US Federal Reserve, pursue aggressive rate hike programs to tame high and persistent inflation.

Current trading conditions and economic data such as retail sales and unemployment remain strong, but markets look forward to tougher times ahead.

In the United States housing markets are cooling rapidly, and several major US retailers posted negative trading updates, sparking a sharp sell-off in consumer discretionary stocks.

Local retail stocks were heavily sold-off in the June quarter, driven by concerns over excess inventory and rising costs in a deteriorating consumer environment.

Expensive technology and growth stocks continued to see selling pressure with higher interest rates pressuring lofty valuations the most.

Commodity prices rolled over during the quarter, with much lower prices for base metals in particular, as markets begin to price much weaker economic growth and a potential recession.

Resources stocks were correspondingly weak after a very strong period, impacted by both lower commodity prices and a series of company downgrades due to staff shortages and soaring costs for labour and diesel.

Australian small resources were down 22.1% last month (-26.6% for the quarter), while small industrials were down 10% for the month (-18.4% for the quarter).

While the sell-off has made equity valuations more attractive, analyst earnings estimates appear too high in a softening economic environment and markets anticipate a downgrade cycle ahead.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -20.39% for the quarter. The fund outperformed the market and delivered a -18.92% return over the quarter.



Performance of key securities

Key contributors

| Security name | Sector | Active weight % | Value added % |
|-------------------|------------------------|-----------------|---------------|
| HRL Holdings Ltd | Industrials | 2.03 | 0.95 |
| Reckon Limited | Information Technology | 2.27 | 0.66 |
| NobleOak Life Ltd | Financials Ex Property | 3.53 | 0.56 |

Data Source: Fidante Partners Limited, 30 June 2022.

HRL Holdings Ltd

Lab testing minnow HRL Holdings moved sharply higher following a takeover bid from its much larger rival ALS Limited.

Reckon Limited

Reckon is selling its Accountants Practice Management Group to the Access Group. The \$100 million sale price was greater than Reckon's market capitalisation prior to the announcement of the sale. Following the completion of sale, Reckon proposes to return capital to shareholders and will continue to operate its (profitable) business software division.

NobleOak Life Ltd

NobleOak is using its nimble and modern infrastructure to win market share in Australian Life Insurance. The company is led by an experienced management team which has successfully translated new business growth into earnings growth.

Key detractors

| Security name | Sector | Active weight % | Value added % |
|-----------------------------|------------------------|-----------------|---------------|
| Calidus Resources Ltd | Materials | 3.06 | -0.82 |
| Atomos Ltd | Consumer Discretionary | 0.00 | -0.77 |
| Imricor Medical Systems Inc | Health Care | 0.00 | -0.74 |

Data Source: Fidante Partners Limited, 30 June 2022.

Calidus Resources Ltd

Weaker USD gold prices and evidence of higher costs weighed on Calidus and the gold sector more broadly. The company has commissioned its Warrawoona Gold Project and is now producing at a steady state. The high grade Blue Spec Project offers an attractive boost to earnings via sharing of infrastructure.

Atomos Ltd

Atomos provided revenue guidance below expectations as well another change in CEO. The rapid succession of management change has been a negative signal. The company needs to create stability and focus developing its products so that they remain relevant to the user base.

Imricor Medical Systems Inc

While the recent global selldown in technology companies, especially those in the earlier stages of their commercial development has weighed on Imricor's share price, the lack of new hospital sites in Europe despite easier access post lockdown has also impacted sentiment.

For further information, please contact:

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

This material has been prepared by NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort), the investment manager of the NovaPort Microcap Fund ARSN 113 199 698 (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. NovaPort and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, NovaPort and Fidante Partners may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

