

NovaPort Microcap Fund

Quarterly report - September 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)	-4.48	7.94	-11.71	4.85	5.84	8.40	5.58	9.05
Growth return	-5.24	7.08	-21.23	-3.89	-0.41	4.71	2.39	4.00
Distribution	0.76	0.86	9.52	8.75	6.24	3.69	3.18	5.04
S&P/ASX Small Ordinaries Accumulation Index	-11.20	-0.47	-22.56	-0.80	4.07	4.58	0.39	3.69
Active return ³	6.72	8.41	10.85	5.65	1.76	3.82	5.19	5.36

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	86.25	80-100
Cash	13.75	0-20

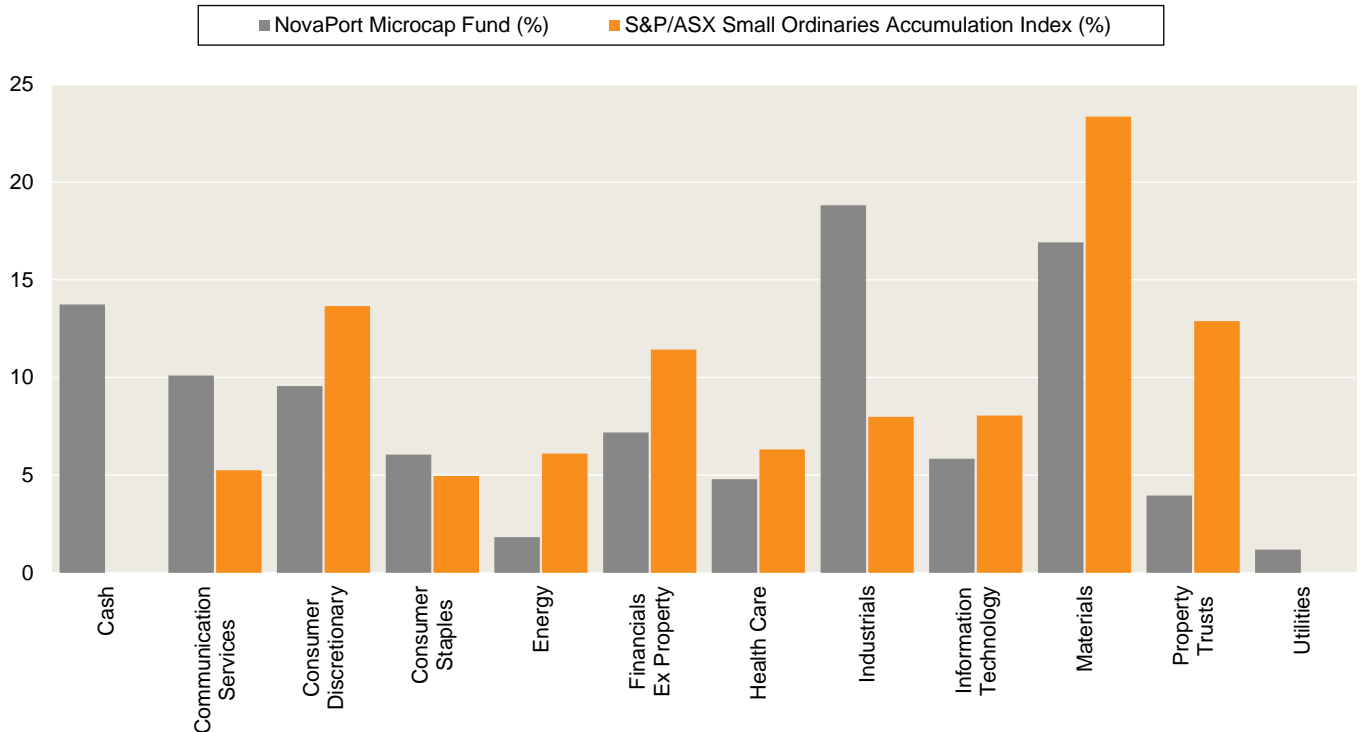
Top 5 active positions	Fund weight %	Index weight %	Active weight %
MACA Ltd	4.75	0.00	4.75
IVE Group Ltd	4.63	0.00	4.63
GR Engineering Services Ltd	4.20	0.00	4.20
Praemium Ltd	3.70	0.00	3.70
CTI Logistics Ltd	3.68	0.00	3.68

Fund facts	
Inception date	22 March 2005
Fund size	\$71.7M
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 September 2022.

Sector exposure



Data Source: Fidante Partners Limited, 30 September 2022.

Market overview

Australian shares fell sharply in September as global monetary tightening continues despite softening economies and falling asset prices.

The ASX Small Ordinaries (Accumulation) Index plunged 11.2% last month, erasing strong gains in July and August to finish 0.5% lower for the September quarter.

Evidence of slower US growth prompted a fierce global equity rally in July on hopes that central banks, led by the US Federal Reserve, would pivot from fighting inflation to support employment and financial markets.

Those hopes were dashed, however, by US Fed Chair Powell's hawkish speech at Jackson Hole, which was followed by further large interest rate hikes by several central banks including the Reserve Bank of Australia.

Domestically the August reporting season reflected strong momentum in the Australian economy, and data such as retail sales and low unemployment remain indicative of strong demand.

Despite positive trading conditions, businesses are cautious, and expectations are mounting of a potential downturn when aggressive interest rate hikes finally wash through the economy.

Small resources fell 13.5% last month, but gained modestly for the quarter, while small industrials fell 10.5% for the month but finished modestly lower for the quarter.

Rate-hike pressure remains heaviest on long-duration stocks such as unprofitable technology companies and consumer-facing companies like discretionary retail and media businesses.

The resources sector is split by those facing potential shortages, such as coal, energy and battery minerals, and expectations that an economic slowdown will hit demand for metals like iron ore and copper.

Bond markets signalled volatility ahead with sharp rises in yields and turmoil in the UK gilts market after a government fiscal package was announced that undermined Bank of England policy goals.

Currency markets were similarly roiled with a sharp sell-off in the pound and sustained US dollar strength, which has implications across a range of inputs including commodities that are priced in US currency.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.47% for the quarter. The fund outperformed the market and delivered a +7.94% return over the quarter.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
MACA Ltd	Materials	4.75	2.06
Praemium Ltd	Information Technology	3.70	1.59
IVE Group Ltd	Communication Services	4.63	1.44

Data Source: Fidante Partners Limited, 30 September 2022.

MACA Ltd

Mining services group MACA was steady in a falling market as the live takeover offer from rival Thiess underpinned the share price.

Praemium Ltd

The sale of Praemium's European operations simplifies the business, liberates capital and improves financial metrics. The underlying market for SMA platforms continues to grow and the company offers a differentiated and proven service.

IVE Group Ltd

IVE Group announced the acquisition of one of its domestic print competitors at an attractive price. The consolidation provides IVE with attractively priced capacity and potential to drive productivity gains.

Key detractors

Security name	Sector	Active weight %	Value added %
New Hope Corporation Ltd	Energy	-1.47	-0.71
NobleOak Life Ltd	Financials Ex Property	3.09	-0.48
Liontown Resources Ltd	Materials	-1.30	-0.41

Data Source: Fidante Partners Limited, 30 September 2022.

New Hope Corporation Ltd

Not held by the fund.

NobleOak Life Ltd

NobleOak delivered earnings higher than forecast in its 2021 Prospectus; however across the Life Insurance sector new business growth has temporarily slowed. The sector is adapting to APRA's interventions which aim to ensure the viability of Individual Disability Income Insurance products. NobleOak has continued to win market share.

Liontown Resources Ltd

Not held by the fund.

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.

