

NovaPort Microcap Fund

Quarterly report - March 2023

| 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) | -3.31 | 0.45 | -7.92 | 20.77 | 5.02 | 7.20 | 7.91 | 9.09 |
| Growth return | -3.95 | -0.22 | -17.94 | 10.29 | -1.44 | 3.40 | 4.74 | 4.10 |
| Distribution | 0.64 | 0.67 | 10.02 | 10.48 | 6.46 | 3.81 | 3.17 | 5.00 |
| S&P/ASX Small Ordinaries Accumulation Index | -0.72 | 1.88 | -13.19 | 13.16 | 3.89 | 5.16 | 2.20 | 4.11 |
| Active return ³ | -2.59 | -1.43 | 5.27 | 7.61 | 1.14 | 2.04 | 5.71 | 4.98 |

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 | 83.45 | 80-100 |
| Cash | 16.55 | 0-20 |

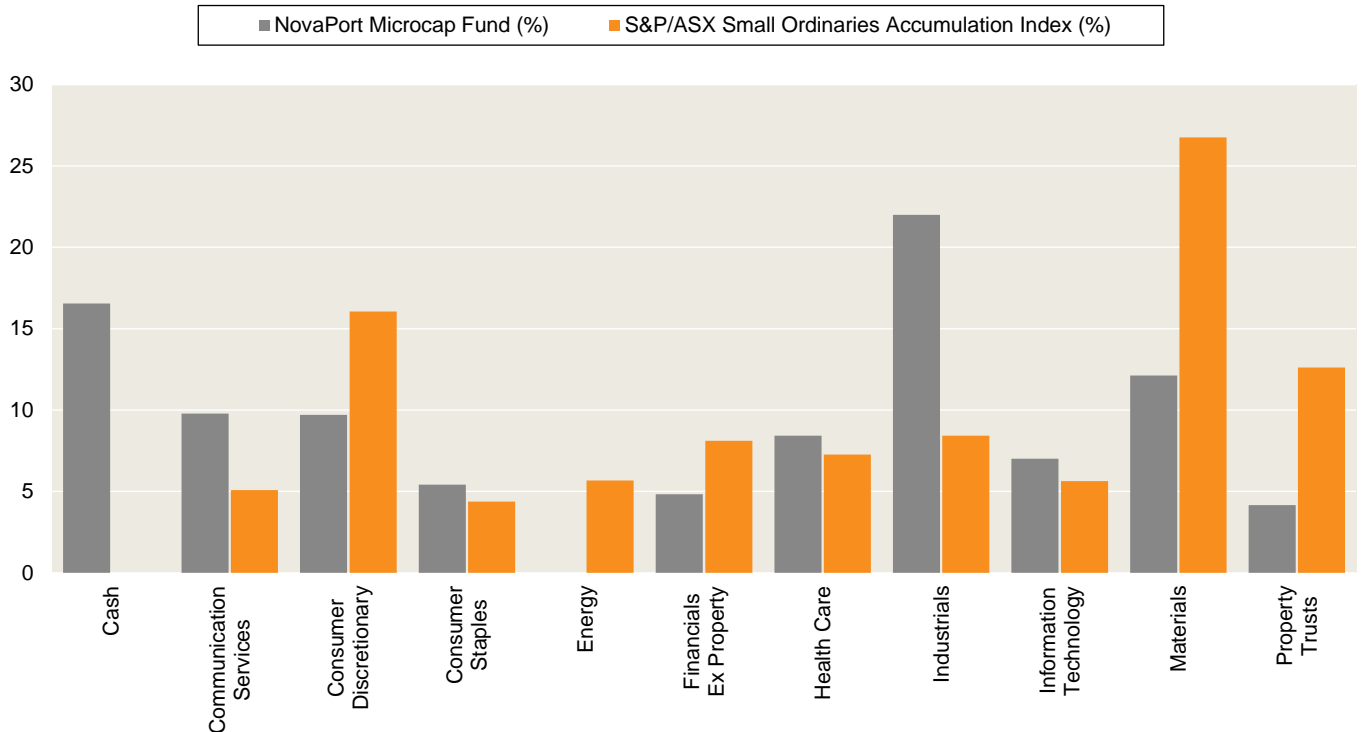
| Top 5 active positions | Fund weight % | Index weight % | Active weight % |
|------------------------|---------------|----------------|-----------------|
| MMA Offshore Ltd | 4.67 | 0.00 | 4.67 |
| IVE Group Ltd | 4.11 | 0.00 | 4.11 |
| Praemium Ltd | 3.96 | 0.00 | 3.96 |
| Lycopodium Ltd | 3.89 | 0.00 | 3.89 |
| Capral Limited | 3.67 | 0.00 | 3.67 |

| Fund facts | |
|----------------|---------------|
| Inception date | 22 March 2005 |
| Fund size | \$75.1M |
| 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, 31 March 2023.

Sector exposure



Data Source: Fidante Partners Limited, 31 March 2023.

Market overview

Smaller company shares fell in March as bank failures roiled global markets and drove a recalibration of interest rate expectations.

The ASX Small Ordinaries (Accumulation) Index fell 0.7% last month, losing further ground following a weak February. However, the benchmark still managed a 1.9% gain for the quarter given a very sharp rally in January.

In the United States Silicon Valley Bank collapsed as rising interest rates exacerbated an asset-liability mismatch and customers rushed to pull their deposits.

US cryptocurrency lender Silvergate also failed last month, while California's First Republic Bank showed troubling vulnerability that prompted intervention from regulators and other lenders.

On the other side of the Atlantic, Credit Suisse, Switzerland's second biggest bank, was hurriedly pushed by regulators into a cut price merger with rival UBS amid fears it would collapse.

These gyrations in the financial system sparked fears of contagion and prompted major volatility in bond markets.

However, the turmoil also prompted a rethink on interest rates, with expectations shifting to lower peak rates and an earlier pause of central bank hiking given concerns over financial stability.

On the domestic front, Australia's interim reporting season demonstrated strong results, but early trading in 2023 has shown weakness emerging in pockets of the economy.

Inflation remains high and employment is very strong, but wage and price pressures have eased from their peak.

The Reserve Bank's rapid rate hiking cycle is impacting the housing market and leveraged consumers, but the hikes will be felt more fully as cheap fixed-rate mortgages roll-off over the next 12 or so months.

Several ASX-listed companies received takeover bids in March from a mix of strategic and private equity buyers.

These bids underscore the ongoing hunt for value in specific stocks amid the tumultuous macroeconomic backdrop.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.88% for the quarter. The fund underperformed the market and delivered a +0.45% return over the quarter.



Performance of key securities

Key contributors

| Security name | Sector | Active weight % | Value added % |
|--------------------|-------------|-----------------|---------------|
| MMA Offshore Ltd | Industrials | 4.67 | 0.79 |
| Lycopodium Ltd | Industrials | 3.89 | 0.79 |
| Warrego Energy Ltd | Energy | 0.00 | 0.58 |

Data Source: Fidante Partners Limited, 31 March 2023.

MMA Offshore Ltd

MMA Offshore is experiencing a revival in demand for its vessels; these are used to support offshore oil and gas exploration, development, operations and abandonment. A new area of demand growth is from the offshore wind generation sector.

Lycopodium Ltd

Lycopodium is benefiting from robust demand for its engineering services as well as positive margin outcomes at existing projects. This has led to earnings upgrades which have supported the share price.

Warrego Energy Ltd

Warrego Energy was taken over following a protracted bidding war from rival groups. The company's onshore West Australian gas reserves were a robust asset with significant strategic value to a number of parties.

Key detractors

| Security name | Sector | Active weight % | Value added % |
|----------------------------|------------------------|-----------------|---------------|
| Liontown Resources Ltd | Materials | -2.05 | -1.01 |
| Australian Vintage Ltd | Consumer Staples | 2.45 | -0.42 |
| Southern Cross Media Group | Communication Services | 2.31 | -0.41 |

Data Source: Fidante Partners Limited, 31 March 2023.

Liontown Resources Ltd

Not held by the fund.

Australian Vintage Ltd

Australian Vintage saw margins squeezed by sharply higher transportation and logistics costs. The company did not pass these through to its customers. Subsequent shifts lower in freight rates have vindicated this pricing strategy, however at a cost to short term profits.

Southern Cross Media Group

Southern Cross' share price decline over the March quarter reflected weaker regional TV revenues. Management has responded with a plan to slow the rate of growth in the cost base, and on a positive note, the more substantial radio business continues to track well. In what is expected to be a significant value driver for the group longer term, its digital podcast platform LiSTNR, continues show very strong new subscriber growth and should garner more investor attention as cashflow breakeven comes into focus in 2025.

For further information, please contact:

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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.

