

NovaPort Microcap Fund

Quarterly report - March 2024

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)	1.94	1.60	5.32	2.98	7.41	7.23	11.51	8.89
Growth return	0.71	0.37	-2.20	-8.02	-0.48	2.71	7.91	3.76
Distribution	1.23	1.22	7.52	10.99	7.89	4.51	3.60	5.14
S&P/ASX Small Ordinaries Accumulation Index	4.79	7.55	13.83	2.72	5.43	6.69	7.38	4.60
Active return ³	-2.85	-5.95	-8.51	0.25	1.98	0.53	4.14	4.29

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	87.85	80-100
Cash	12.15	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
MMA Offshore Ltd	4.60	0.34	4.26
Capitol Health Ltd	3.46	0.00	3.46
Southern Cross Media Group	3.44	0.00	3.44
Southern Cross Electrical Engineering Ltd	3.43	0.00	3.43
Capral Limited	3.35	0.00	3.35

Fund facts

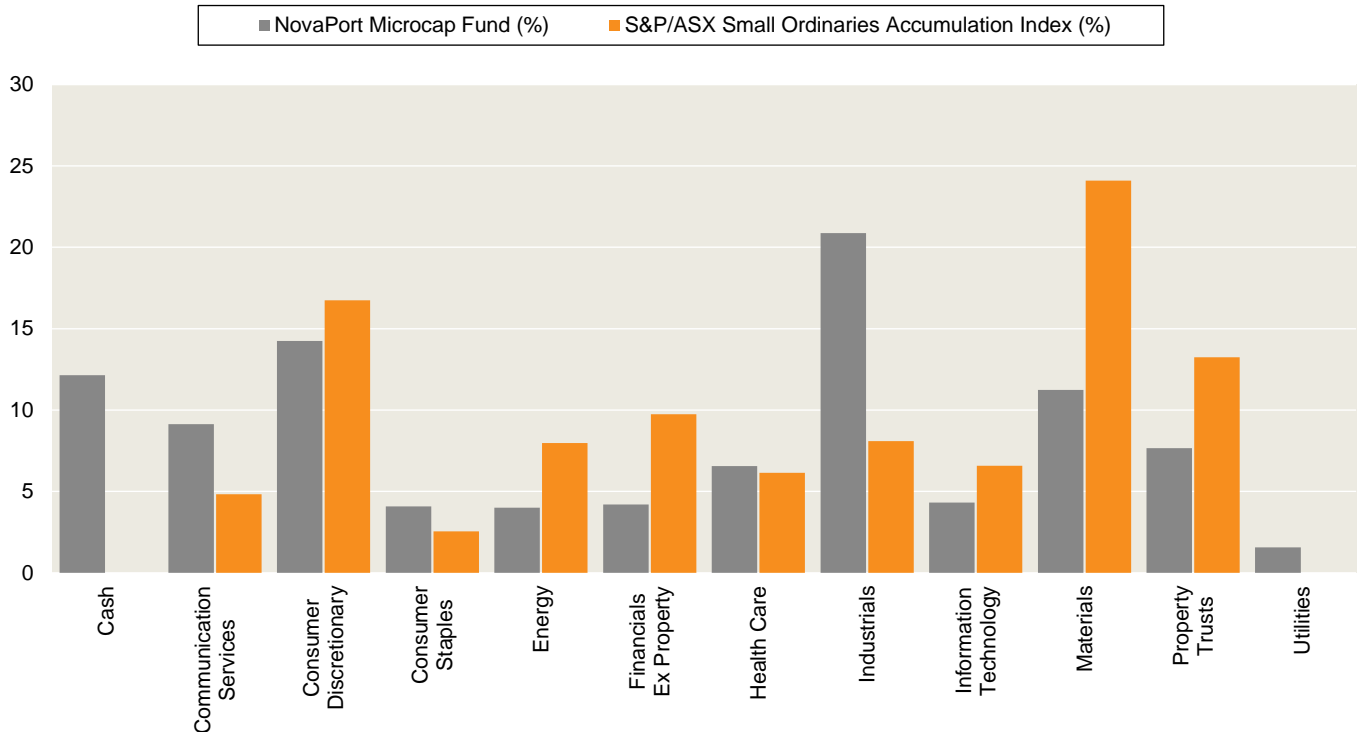
Inception date	22 March 2005
Fund size	\$62.4M
APIR code	HOW0027AU

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 2024.

Sector exposure



Data Source: Fidante Partners Limited, 31 March 2024.

Market overview

Australian small companies surged in March on the back of strong corporate earnings and easing inflationary pressure. The ASX Small Ordinaries (Accumulation) Index rose 4.8% last month, capping a robust 7.6% gain for the March quarter. The rally continues a sharp upswing for equity markets that kicked off in November 2023, as declining inflation fuelled bets on near-term interest rate cuts.

While the broad picture of disinflation and lower rates remains largely intact, markets have reduced expectations for US Fed rate cuts in 2024 and there is much less confidence around when the cutting cycle will commence. The 'last mile' of inflation – sticky services prices – also appears to be more difficult to tackle and may require a less aggressive cutting profile. In Australia, the Reserve Bank has also stayed on hold. But a still solid economy, with resilient house prices and a very strong jobs market, means rate cuts are unlikely until late 2024 at the earliest.

The local corporate earnings season reflected the underlying strength of the economy, with profits generally better than expected across the board. Sales trends are sound across a range of sectors, although price is offsetting weaker volumes in some consumer-facing businesses. Sustained migration at near-record levels is undoubtedly a tailwind for demand and a prop for GDP and government tax revenues. Elevated government spending is supporting the economy and labour markets in many developed economies.

Small industrials continued their strong run, rising 3.5% for the month (+9.6% March quarter), while small resources rallied 8.5% in March to close 5.8% higher for the quarter. Gold, copper, and oil prices have all been strong, driving resource equities higher. Iron ore has also been resilient despite softness in the Chinese economy, which remains a key source of risk for the local market.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.55% for the quarter. The fund underperformed the market and delivered a +1.60% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
MMA Offshore Ltd	Industrials	4.26	1.13
Southern Cross Electrical Engineering Ltd	Industrials	3.43	0.49
Fiducian Group Ltd	Financials Ex Property	2.62	0.40

Data Source: Fidante Partners Limited, 31 March 2024.



MMA Offshore Ltd

Marine service provider MMA Offshore agreed to a private equity takeover last month, driving the stock higher after a very strong run. Demand for MMA's services remain strong and the outlook for earnings growth is solid.

Southern Cross Electrical Engineering Ltd

Electrical contractor Southern Cross has performed well following a strong interim result. Demand for its services is solid across a range of sectors, most notably infrastructure, supermarkets, and data centres.

Fiducian Group Ltd

Fiducian reported a strong earnings result and the share price has continued to rise since February. Fiducian's financial advice strategy has withstood extraordinary regulatory changes over the last decade. It is well placed to benefit from a supportive underlying dynamic; a growing cohort of superannuants seeking help from a smaller base of financial advisers.

Key detractors

Security name	Sector	Active weight %	Value added %
Aroa Biosurgery Ltd	Health Care	2.67	-1.51
Good Drinks Australia Ltd	Consumer Staples	1.72	-0.81
Fleetwood Ltd	Consumer Discretionary	2.87	-0.79

Data Source: Fidante Partners Limited, 31 March 2024.

Aroa Biosurgery Ltd

Aroa Biosurgery has been soft since a disappointing sales update that prompted a reassessment of its growth rate and pathway to profitability. Despite the slower trajectory, demand for Aroa's wound care products is strong and sales are growing in large and attractive markets.

Good Drinks Australia Ltd

While consumer related weakness has adversely impacted sales, Good Drinks has been able to grow market share due to continued investment in sales and marketing where many competitors have pulled back. While the hit to short term earnings from this increased investment should pay off as consumer sentiment improves, the market would like to see more gains on the east coast reflecting the success of Good Drinks' beer brands in WA.

Fleetwood Ltd

Fleetwood's share price remains volatile as the market grapples with prospects for the group's Searipple village in Karratha. New resources projects are likely to drive significant demand growth, but timing is uncertain and has led to swings in the stock price.

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.

