

NovaPort Smaller Companies Fund

Quarterly report - March 2020

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)	-24.54	-27.33	-18.90	-2.76	0.11	6.33	7.99	11.45
Growth return	-24.91	-27.69	-21.94	-6.58	-4.99	2.31	-0.79	3.19
Distribution	0.37	0.35	3.04	3.82	5.10	4.02	8.78	8.26
S&P/ASX Small Ordinaries Accumulation Index	-22.38	-26.72	-21.02	-1.33	2.52	1.10	2.66	5.57
Active return ³	-2.17	-0.61	2.12	-1.43	-2.41	5.23	5.33	5.88

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 31 December 2002

³ Numbers may not add due to rounding

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.

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 five years

Asset allocation	Actual %	Range %
Security	88.34	80-100
Cash	11.66	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	6.39	0.81	5.59
Ebos Group Ltd	4.86	0.00	4.86
AUB Group Ltd	3.91	0.49	3.42
Independence Group NL	4.41	1.35	3.06
Mystate Ltd	3.02	0.24	2.79

Fund facts	
Inception date	31 December 2002
Fund size	\$220.0M
APIR code	HOW0016AU

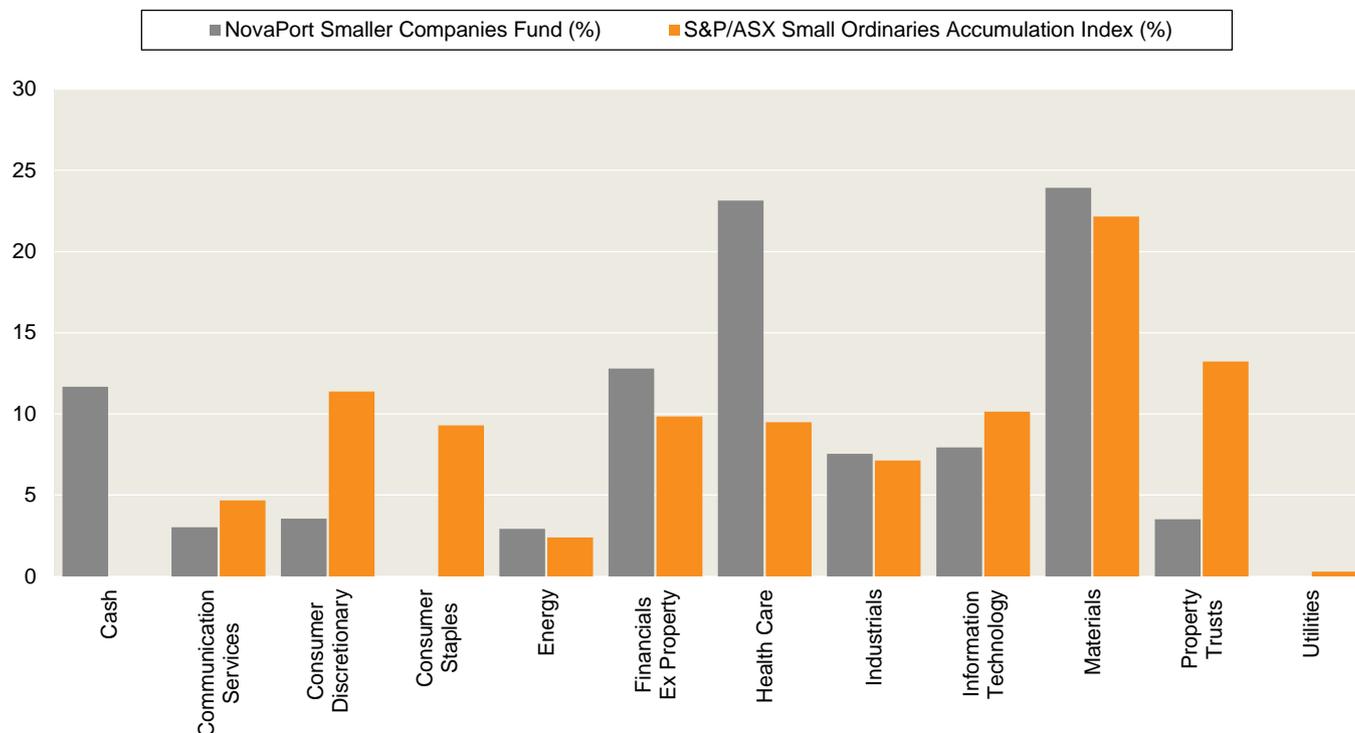
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 March 2020.

¹ Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee was reduced to 0.90% p.a.

² The performance fee was introduced from 1 October 2011

Sector exposure



Data Source: Fidante Partners Limited, 31 March 2020.

Market overview

Global equity markets fell heavily in March as the COVID-19 developed into a global pandemic. Share prices fell sharply in one of the quickest sell-offs on record. The ASX Small Ordinaries (Accumulation) Index plunged into bear market territory, falling 22.4% last month.

After a solid January (+3.4%), and the beginnings of the viral sell-off in February (-8.7%), the March slump resulted in a 26.7% fall for the quarter.

Severe bushfires impacted some businesses in December and January, weighing on a fragile economic expansion. The February reporting season was generally in line with expectations, although earnings confirmed an underlying softness in the economy, with downgrades exceeding upgrades. Management outlook statements soon became redundant as potential risks relating to COVID-19 were realised.

In order to control the virus, whole sectors of the Australian and global economies have been shut down, while others have been restricted in the provision of goods and services. Subsequently, revenues for some businesses such as retailers, restaurants, and tourism operators have collapsed. A swathe of companies rushed to drop earnings guidance issued only weeks earlier. Many also suspended or cancelled dividend payments in order to preserve cash and protect their balance sheets.

The mix of share price performance reflects the fact that some companies are relatively better off in the new pandemic economy. Industrials fell 23% in March, while resources suffered less, shedding 18%. At a sector level consumer discretionary and financial stocks fell hardest; healthcare and information technology fared better. In the resources sector, mining was relatively robust while energy fell dramatically as oil prices hit 17-year lows.

The combination of plunging demand due to the virus and a price war between major oil producers Russia and Saudi Arabia put severe pressure on prices. Positively, large-scale relief measures were announced by governments and central banks to mitigate the impact of the virus. Ongoing volatility is likely as investors assess the duration and depth of the economic downturn and the speed of the post-virus recovery.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -26.72% for the quarter. The fund underperformed the market and delivered a -27.33% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Fisher & Paykel Healthcare Corporation Limited	Health Care	2.73	1.26
Gold Road Resources Ltd	Materials	5.59	1.20
Ebos Group Ltd	Health Care	4.86	0.64



Data Source: Fidante Partners Limited, 31 March 2020.

Fisher & Paykel Healthcare Corporation Limited

Fisher and Paykel manufactures respiratory humidification systems and consumables used in the hospital. The company has experienced strong demand for these products. The company also benefits from a sound balance sheet and history of product innovation.

Gold Road Resources Ltd

The stimulatory measures announced by global reserve banks in response to the economic impact of Covid-19 has seen a corresponding uptick in the USD gold price during the period. This has benefitted the vast majority of gold producers, including Gold Road, during the period.

Ebos Group Ltd

The company operates pharmacy distribution and healthcare logistics businesses. The share price has performed as the market has gravitated to businesses with strong cash flows, conservative gearing and resilient revenues.

Key detractors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	1.55	-1.65
Worleyparsons LTD	Energy	0.00	-1.04
Credit Corp Group	Financials Ex Property	1.38	-1.02

Data Source: Fidante Partners Limited, 31 March 2020.

Kathmandu Holdings Ltd

As was the case across the broader retailer sector globally, Kathmandu closed its store network in March as the global pandemic spread. A substantial equity raising has removed some of the short-term liquidity risk but uncertainty regarding how retailers fare as we exit the virus lockdowns will persist in the short term.

Worleyparsons LTD

Oil prices have fallen in line with weaker demand from the transportation sector and the falls were exacerbated by the lack of a united response by major producing nations. This has already seen reductions and delays to investment programmes of oil companies. We do not expect a rapid recovery in the earnings outlook and have exited the position.

Credit Corp Group

There is little doubt that the company will see a slower pace of collection as unemployment rises and will need to conserve capital as it negotiates the transition to an expected slower collection velocity. It is well placed to capitalise on opportunities arising from consolidation in the sector.

For further information, please contact:

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