

NovaPort Smaller Companies Fund

Quarterly report - June 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)	-0.32	17.60	-5.90	2.39	4.29	9.11	9.22	12.31
Growth return	-0.52	17.36	-7.40	-1.27	0.27	5.00	1.02	4.09
Distribution	0.20	0.24	1.50	3.66	4.02	4.11	8.20	8.22
S&P/ASX Small Ordinaries Accumulation Index	-1.95	23.90	-5.67	6.10	7.89	4.57	3.96	6.79
Active return ³	1.63	-6.31	-0.22	-3.71	-3.60	4.54	5.26	5.52

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	91.15	80-100
Cash	8.85	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	5.46	0.77	4.69
Saracen Mineral Holdings Ltd	4.42	0.00	4.42
AUB Group Ltd	4.46	0.57	3.89
Ebos Group Ltd	3.86	0.00	3.86
Fisher & Paykel Healthcare Corporation Limited	5.35	2.18	3.17

Fund facts	
Inception date	31 December 2002
Fund size	\$260.7M
APIR code	HOW0016AU

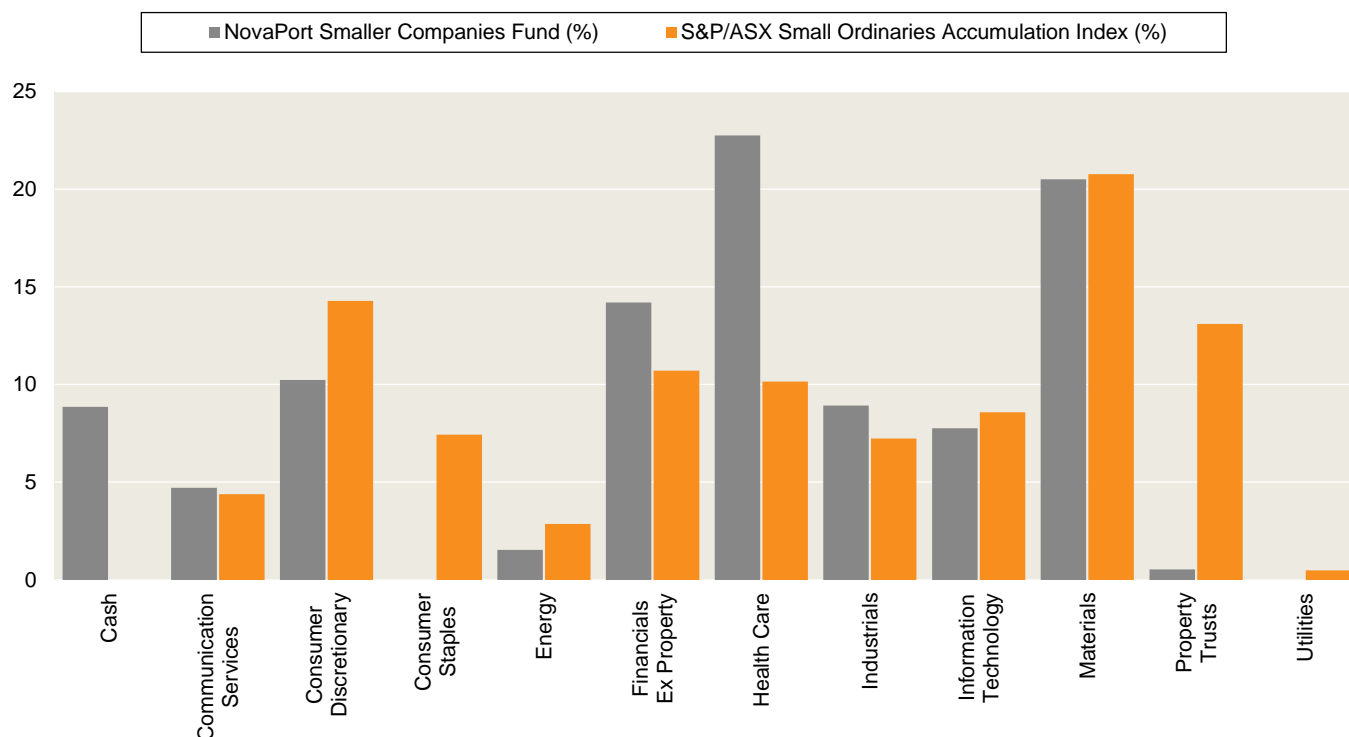
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 30 June 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, 30 June 2020.

Market overview

Australian small companies shed 2% in June as concerns over a second wave of COVID-19 infections took the shine off a very strong quarter for markets.

Rising global infection numbers crimped risk appetite, but the ASX Small Ordinaries (Accumulation) Index still posted a massive 24% gain for the three months ended 30 June.

The easing of health-related economic restrictions, and supportive fiscal and monetary policy, drove the dramatic rebound in equities in April and May.

Positive earnings updates from several companies, notably in the retail sector, reflected an underlying resilience from the Australian consumer. Uncertainty remains over the durability of consumer strength with government stimulus and bank mortgage freezes due to taper or cease entirely in September.

House price falls, while modest to date, are accelerating in Sydney and Melbourne and construction work is expected to dwindle in the December quarter.

By sector, discretionary, financials, and materials performed best in the June quarter. Consumer staples, real estate and industrials underperformed. Small resources stocks outperformed small industrials, while small caps outperformed large caps.

Despite robust trading updates from several companies, forward earnings visibility remains very low. However, company balance sheets are generally in better condition following a flurry of equity capital raisings.

The August reporting season will give much needed clarity on the outlook for corporate earnings. Until then, the escalating health crisis and its potential economic impact, and the response from governments and central banks, will dominate news flow.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +23.90% for the quarter. The fund underperformed the market and delivered a +17.60% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Nick Scali Ltd	Consumer Discretionary	2.60	1.15
Saracen Mineral Holdings Ltd	Materials	4.42	0.96
AUB Group Ltd	Financials Ex Property	3.89	0.84

Data Source: Fidante Partners Limited, 30 June 2020.



Nick Scali Ltd

Despite fears of a severe decline in demand levels due to COVID, consumers' willingness to exploit the online channel while in lockdown, better than expected foot traffic on re-opening and support from government stimulus measures has seen Nick Scali exit the financial year in a stronger position relative to expectations.

Saracen Mineral Holdings Ltd

Continues to post solid operational results across the board as well as benefitting from a strong gold price.

AUB Group Ltd

Improved pricing outlook for insurers and a relatively lower COVID related impact on operations resulting in earnings growth in a challenging year has underpinned a strong share price performance.

Key detractors

Security name	Sector	Active weight %	Value added %
Ebos Group Ltd	Health Care	3.86	-1.48
Cooper Energy Limited	Energy	1.22	-0.96
Peet Ltd	Property Trusts	0.00	-0.79

Data Source: Fidante Partners Limited, 30 June 2020.

Ebos Group Ltd

Ebos Group's share price drifted as the market continues to digest the additional supply of stock following a sell down by a major shareholder. The company operates pharmacy wholesale, healthcare logistics and veterinary supply businesses in Australia and New Zealand, which have been resilient to disruptions associated with the coronavirus pandemic.

Cooper Energy Limited

Cooper Energy's Sole Gas project continues to experience delays in reaching full production. While the gas field is able to produce sufficient gas, the gas processing plant (owned and operated by APA Group) has not yet managed to sustain nameplate production. These delays are not uncommon however and can take time to be resolved.

Peet Ltd

While recently announced stimulus measures targeting the new homeowner segment will be supportive in the short term, the medium term outlook looks more challenging for the company. We exited our position over the June quarter.

For further information, please contact:

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort), the investment manager of the NovaPort Smaller Companies Fund ARSN 094 601 475 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**Fidante Partners**) is the responsible entity and issuer of interests in the Fund. The information in this publication should be regarded as general information and not financial product advice, and has been prepared without taking into account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain and consider the Product Disclosure Statement (PDS) and any additional information booklet (AIB) for the Fund before deciding whether to acquire or continue to hold an interest in the Fund. A copy of the PDS and AIB can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. Please also refer to the Financial Services Guide on the Fidante Partners website. Past performance is not a reliable indicator of future performance. Neither your investment nor any particular rate of return is guaranteed. The information contained in this document is not intended to be relied upon as a forecast and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy, nor is it investment advice. If you acquire or hold the product, we, Fidante Partners or a related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the Fund. Neither Fidante Partners nor a Fidante Partners related company and its respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. NovaPort, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.

