

NovaPort Smaller Companies Fund

Quarterly report - September 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) | -1.00 | 3.14 | -9.50 | 3.29 | 5.81 | 8.67 | 8.85 | 12.32 |
| Growth return | -1.07 | 3.08 | -10.93 | -0.32 | 1.74 | 4.57 | 0.70 | 4.21 |
| Distribution | 0.06 | 0.07 | 1.43 | 3.61 | 4.07 | 4.10 | 8.15 | 8.11 |
| S&P/ASX Small Ordinaries Accumulation Index | -2.82 | 5.67 | -3.33 | 6.52 | 9.96 | 3.53 | 3.50 | 7.02 |
| Active return ³ | 1.82 | -2.53 | -6.17 | -3.23 | -4.15 | 5.14 | 5.35 | 5.30 |

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 | 91.99 | 80-100 |
| Cash | 8.01 | 0-20 |

| Top 5 active positions | Fund weight % | Index weight % | Active weight % |
|--|---------------|----------------|-----------------|
| Fisher & Paykel Healthcare Corporation Limited | 4.31 | 0.00 | 4.31 |
| Ebos Group Ltd | 4.02 | 0.00 | 4.02 |
| Saracen Mineral Holdings Ltd | 3.63 | 0.00 | 3.63 |
| Gold Road Resources Ltd | 4.22 | 0.60 | 3.62 |
| EQT Holdings Limited | 3.33 | 0.00 | 3.33 |

| Fund facts | |
|----------------|------------------|
| Inception date | 31 December 2002 |
| Fund size | \$266.3M |
| 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% |

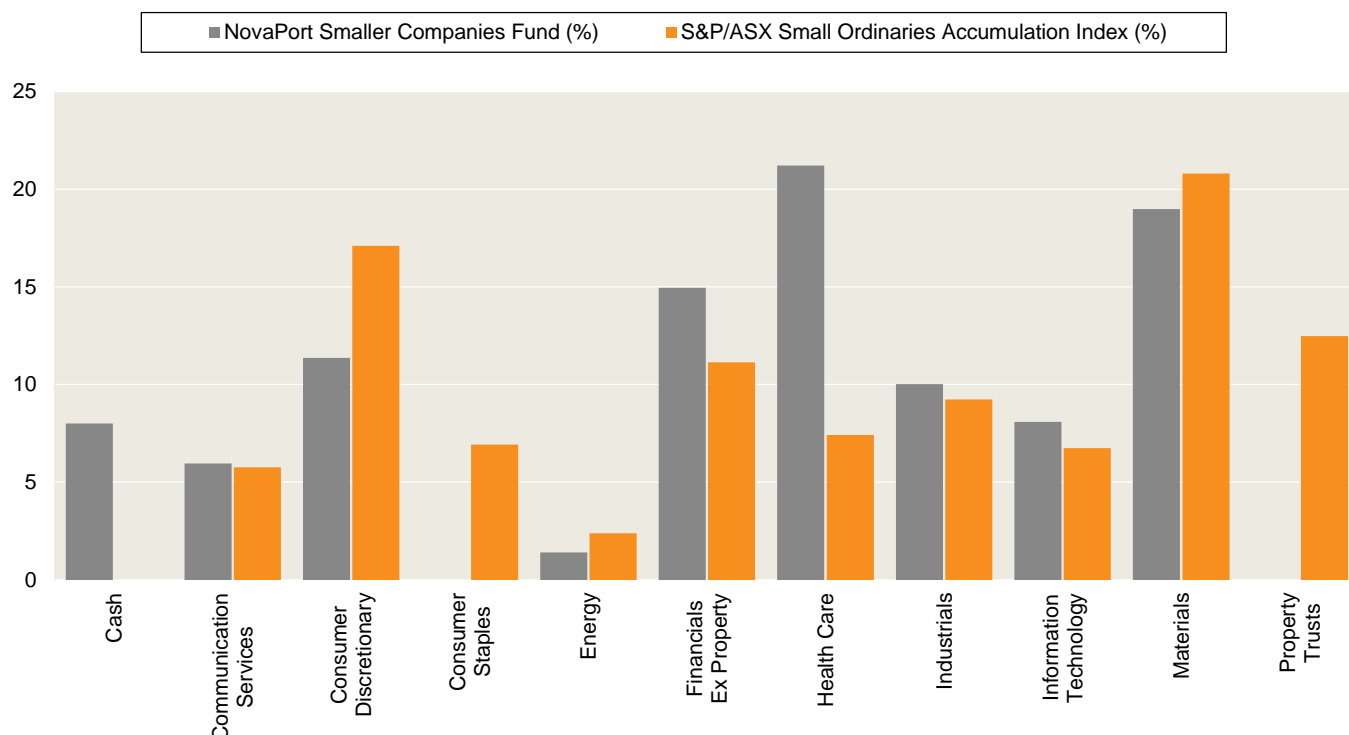
Data Source: Fidante Partners Limited, 30 September 2020.

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 September 2020.

Market overview

Global equity markets fell in September as investors rotated from growth stocks into cyclicals in anticipation of a stronger economy. US technology stocks led the selling with the NASDAQ Index falling 5.2%, giving up part of its enormous 9.6% rally in August. Locally, growth and tech names were also weak relative to cheaper, economically sensitive stocks.

The ASX Small Ordinaries (Accumulation) Index fell 2.8% last month, but still closed up 5.7% for the quarter after strong performance in July and August. Small companies continue to outperform large caps (-3.7% in September) while small industrials (-2.3%) outperformed small resources (-4.9%).

The August reporting season met downgraded earnings expectations which combined with a better outlook to drive small caps higher. Moves to reopen the economy, ongoing fiscal and monetary stimulus, and the lack of alternative investment opportunities have proven a powerful tailwind for stock prices.

Changes to US Federal Reserve monetary policy to target average inflation rates sparked some fears that rising prices and bond yields could undermine growth stocks. However, both inflation US Treasury yields remain at very low levels. Domestically the Reserve Bank of Australia (RBA) remains extremely accommodative and speculation is mounting that the RBA may cut interest rates further.

Renewed COVID-19 outbreaks across Europe and the US are prompting a mix of secondary lockdowns and restrictions, although the general push to reopen economics remains intact. In Australia, uncertainty lingers over the easing of restrictions in Victoria, but major additional fiscal stimulus in the upcoming October budget could buoy equities.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +5.67% for the quarter. The fund underperformed the market and delivered a +3.14% return over the quarter.

Performance of key securities

Key contributors

| Security name | Sector | Active weight % | Value added % |
|------------------------|------------------------|-----------------|---------------|
| Netwealth Group Ltd | Financials Ex Property | 2.35 | 0.91 |
| Baby Bunting Group Ltd | Consumer Discretionary | 2.59 | 0.67 |
| Data#3 Ltd | Information Technology | 1.79 | 0.52 |

Data Source: Fidante Partners Limited, 30 September 2020.



Netwealth Group Ltd

Netwealth is enjoying strong growth in fund flows and new account creation as financial advisors continue to support its modern platform offering. The company reported pleasing earnings progress despite concerns about the impact of lower cash rates on profitability.

Baby Bunting Group Ltd

A strong full year result in August validated Baby Bunting's position as one of the preferred retail exposures for ex-100 investors. Positive investor sentiment continued into September with anecdotal evidence suggesting customer activity online and in stores was holding up at buoyant levels.

Data#3 Ltd

Investor sentiment for technology exposures in a COVID world continues at a high level with Data #3' recently confirming a positive outlook for demand longer term as clients expand on initiatives expedited by the pandemic. In particular, increased emphasis on remote working going forward, cyber security, data analytics and IT mobility in general augurs well for demand.

Key detractors

| Security name | Sector | Active weight % | Value added % |
|-------------------------|-------------|-----------------|---------------|
| Gold Road Resources Ltd | Materials | 3.62 | -0.85 |
| Regis Healthcare Ltd | Health Care | 1.31 | -0.56 |
| Independence Group NL | Materials | 2.21 | -0.52 |

Data Source: Fidante Partners Limited, 30 September 2020.

Gold Road Resources Ltd

Gold Road's share price rebounded strongly from its March lows but gave back some of these gains in the last quarter. The company's flagship Gruyere mine is shifting to producing gold from deeper, harder ores. The market has adopted a 'wait and see' approach until data emerges to verify plant performance through this transition phase.

Regis Healthcare Ltd

The severe lockdown provisions in Victoria have weighed heavily on the aged care sector and Regis in particular. Restricted access to aged care homes has made it difficult to welcome new residents and is impacting on occupancy and thus profitability. Occupancy performance in states less affected by COVID 19 has been significantly stronger.

Independence Group NL

The market responded negatively to IGO's fourth quarter report. The company's mining operations reported higher costs due to 1) increased royalties (a function of higher commodity prices) and 2) phasing of mining operations resulting in a decline in grades. In our view the cost increases result from initiatives to capture more resources due to higher prices, evidenced by the continued growth in cash flow.

For further information, please contact:

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

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