

NovaPort Smaller Companies Fund

Quarterly report - December 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)	5.77	15.81	2.07	5.77	7.28	9.88	10.12	13.06
Growth return	5.40	15.40	0.95	2.30	3.33	5.86	1.90	4.98
Distribution	0.37	0.41	1.12	3.48	3.95	4.02	8.21	8.08
S&P/ASX Small Ordinaries Accumulation Index	2.76	13.83	9.21	6.56	10.45	3.77	4.36	7.69
Active return ³	3.02	1.98	-7.14	-0.79	-3.17	6.11	5.76	5.37

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	93.42	80-100
Cash	6.58	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Credit Corp Group	4.43	0.83	3.59
Ebos Group Ltd	3.52	0.00	3.52
GWA Group Ltd	3.69	0.38	3.30
Gold Road Resources Ltd	3.75	0.48	3.26
Sims Ltd	4.05	0.93	3.12

Fund facts	
Inception date	31 December 2002
Fund size	\$306.7M
APIR code	HOW0016AU

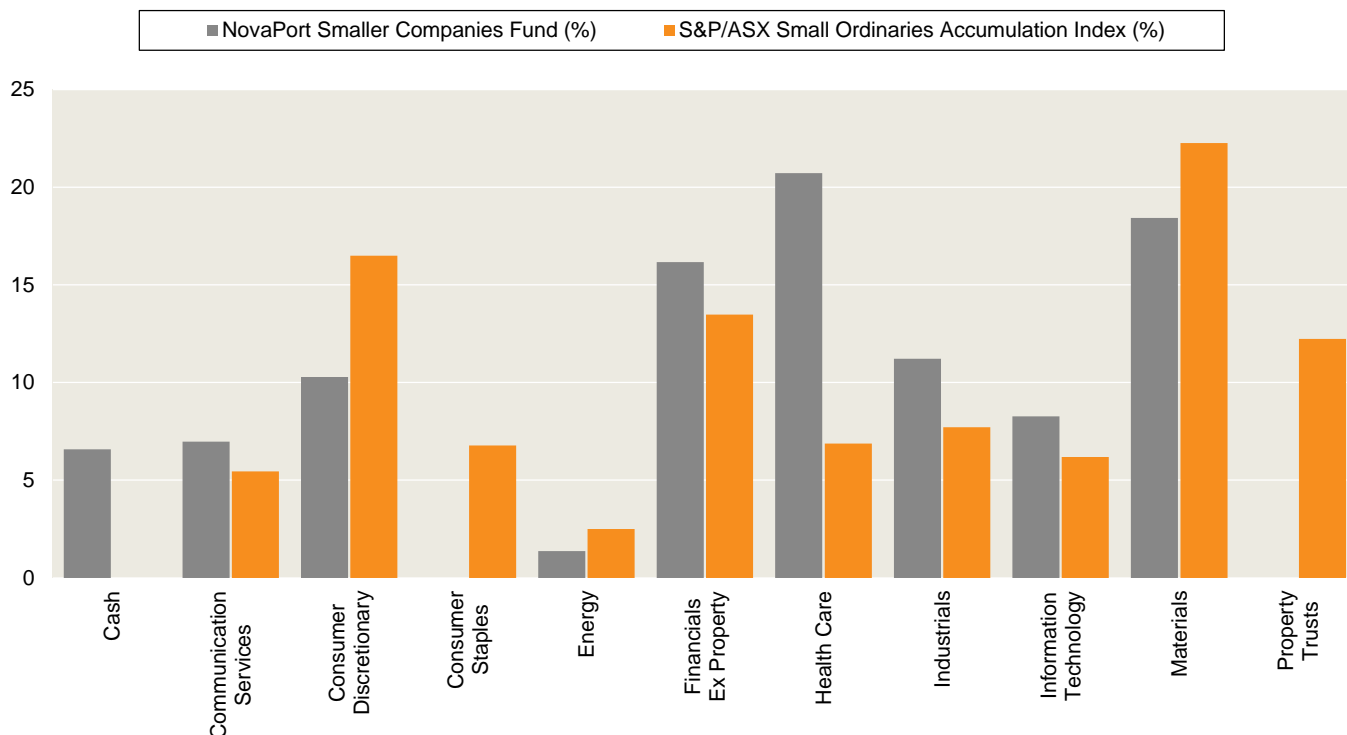
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 December 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 December 2020.

Market overview

Small cap stocks rallied in December, driven by huge stimulus measures, positive news flow regarding vaccine efficacy by three pharmaceutical companies and growing confidence in a global economic rebound.

The ASX Small Ordinaries (Accumulation) Index rose 2.8% last month, capping off a very strong quarter (+13.8%) driven primarily by the 10.3% surge in November.

The Australian government's October budget and Joe Biden's victory in the US election reinforced confidence that strong fiscal stimulus would buttress both the domestic and global economic recoveries.

The prospect of a Democrat majority in the US Senate has subsequently fuelled expectations of even greater fiscal support in the world's biggest economy. Anticipated further stimulus, combined with ultra-loose monetary policy, has driven stronger global GDP growth expectations and raised questions about the return of inflation.

This macroeconomic backdrop saw the rotation out of high valuation growth stocks into economically sensitive and cyclical stocks continue last month.

Small resources outperformed dramatically, rising 8.7% for December and 20.3% for the quarter, compared with industrial stocks gaining 2.8% and 12.2%, respectively.

By sector, materials and energy performed best last month, while technology and staples were weakest.

Renewed COVID-19 outbreaks in Australia and far more serious outbreaks in Europe, the US and the UK, have prompted some caution. However, the prospect of widespread vaccination programs in the first half of 2021 is supportive for economic reopening.

Investors will be watching for increased US stimulus support and the successful and timely rollout of vaccines as we head into the February reporting season.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +13.83% for the quarter. The fund outperformed the market and delivered a +15.81% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Credit Corp Group	Financials Ex Property	3.59	1.45
Sims Ltd	Materials	3.12	1.40
Regis Healthcare Ltd	Health Care	2.08	0.91

Data Source: Fidante Partners Limited, 31 December 2020.



Credit Corp Group

Credit Corp announced the acquisition of a competitor's debt ledgers. The investment is expected to be quickly earnings accretive and will provide a stronger collections base in the medium term. Strong cash collection has placed the company well to make accretive acquisitions such as this.

Sims Ltd

Sims Ltd's share price has rebounded from multi year lows. The catalyst has been strong economics for electric arc furnace (EAF) steel producers which supports demand for the scrap metal recycling and trading services provided by Sims.

Regis Healthcare Ltd

Regis Healthcare has been approached by a consortium (including one of its founders) seeking to acquire the business. The aged care sector has been through a period of significant challenges over the last three years, not only from the pandemic but also the royal commission and more stringent federal government funding.

Key detractors

Security name	Sector	Active weight %	Value added %
Gold Road Resources Ltd	Materials	3.26	-0.83
IPH Ltd	Industrials	2.09	-0.63
Lynas Rare Earths Ltd	Materials	-1.49	-0.56

Data Source: Fidante Partners Limited, 31 December 2020.

Gold Road Resources Ltd

The price of shares in WA based gold miner Gold Road weakened in line with a fall in the gold price.

IPH Ltd

IPH's shares declined over December due to a strengthening Australian to US Dollar exchange rate and based on prior news of subdued patent filing activity in secondary markets. While global patent filing volumes are at a cyclical low, we maintain a positive view on the company's ability to grow earnings over time and strengthen both its value offering and competitive positioning in secondary intellectual property markets.

Lynas Rare Earths Ltd

Not held by the fund.

For further information, please contact:

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