

NovaPort Smaller Companies Fund

Quarterly report - March 2022

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)	4.03	-3.72	11.60	8.39	7.63	10.05	8.24	12.82
Growth return	3.69	-4.04	6.92	5.23	4.01	5.93	2.65	5.02
Distribution	0.34	0.31	4.67	3.17	3.62	4.12	5.58	7.80
S&P/ASX Small Ordinaries Accumulation Index	5.26	-4.21	9.68	9.62	9.90	6.02	2.62	7.81
Active return ³	-1.23	0.49	1.91	-1.23	-2.27	4.03	5.62	5.01

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	95.34	80-100
Cash	4.66	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.33	0.20	4.13
Gold Road Resources Ltd	4.60	0.53	4.08
Ebos Group Ltd	3.54	0.00	3.54
Data#3 Ltd	3.48	0.33	3.14
Regis Healthcare Ltd	2.98	0.00	2.98

Fund facts	
Inception date	31 December 2002
Fund size	\$269.9M
APIR code	HOW0016AU

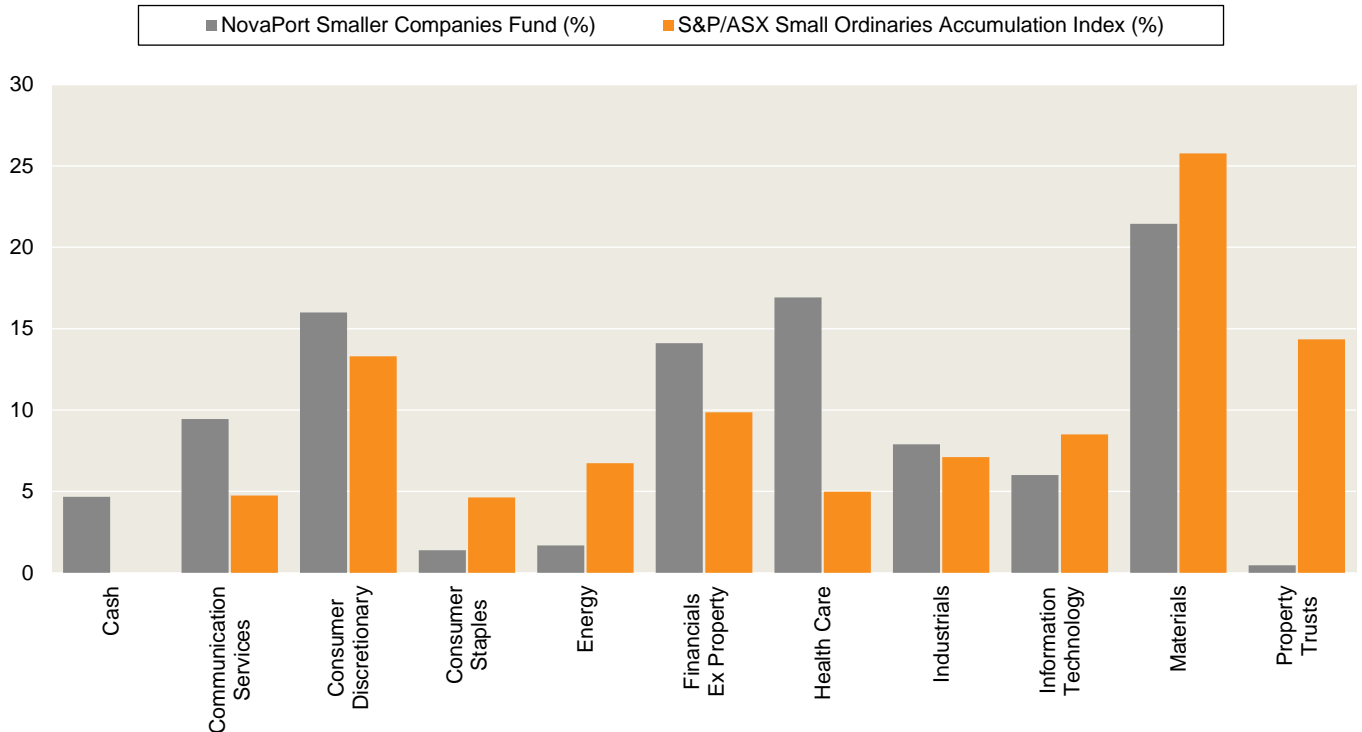
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 March 2022.

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 2022.

Market overview

Resource stocks drove a sharp small company rally in March as conflict in Ukraine and ongoing inflationary pressure buoyed commodity prices.

The ASX Small Ordinaries (Accumulation) Index rose 5.3% last month, clawing back some of the January selloff to close 4.2% lower for the March quarter.

Russia's invasion of Ukraine and subsequent western sanctions pushed base metals and energy prices higher, fuelling another leg up for mining and energy stocks.

Small resources surged 12.7% last month while small industrials gained just 3%.

Russia is a major producer of timber, nickel, copper, coal, oil, and natural gas.

Disruption to the supply of these key inputs comes amid elevated demand for commodity-hungry goods in western economies and severe supply chain challenges.

This added price pressure on basic raw materials has given fresh impetus to already high inflation in western economies, particularly the United States, the United Kingdom, and Europe.

Central banks, led by the US Federal Reserve, have become increasingly hawkish about taming inflation with more aggressive interest rate hikes and balance sheet reduction (quantitative tightening).

Expectations are firming that the Reserve Bank of Australia will not lag its offshore peers too long and an Australian rate hike cycle is anticipated shortly after the federal election.

Loss-making and high valuation speculative stocks remained under pressure given the expected trajectory for interest rates.

Notwithstanding extremely complex macroeconomic challenges, growth remains robust in the domestic and global economy, underpinned by low unemployment and accumulated household savings.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -4.21% for the quarter. The fund outperformed the market and delivered a -3.72% return over the quarter.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Nufarm Limited	Materials	2.49	0.69
Jervois Global Ltd	Materials	1.86	0.68
Independence Group NL	Materials	2.79	0.67

Data Source: Fidante Partners Limited, 31 March 2022.

Nufarm Limited

Nufarm recently outlined its ambitions in crop protection and Seed sales. The targets provided by management were generally higher than consensus expectations. Furthermore, higher soft commodity prices provides a positive tailwind for the company.

Jervois Global Ltd

Jervois has brought together a portfolio of assets which include Cobalt mining projects, a Cobalt and Nickel refinery and a Cobalt trading capability. This vertically integrated model offers clients sought after diversification of supply for key commodities used in growing applications such as EV's.

Independence Group NL

Conflict in Eastern Europe started a chain reaction which has seen higher Nickel Prices, providing immediate benefit to IGO's Nickel operations. Demand for battery materials, in particular Lithium, has also remained strong.

Key detractors

Security name	Sector	Active weight %	Value added %
Nanosonic Limited	Health Care	1.43	-0.63
Whitehaven Coal Ltd	Energy	-1.46	-0.61
Nick Scali Ltd	Consumer Discretionary	1.80	-0.47

Data Source: Fidante Partners Limited, 31 March 2022.

Nanosonic Limited

Nanosonics' price performance over the March quarter is attributable to the sell down of technology stocks globally as well as management's decision to assume direct to customer selling responsibilities which to this point have been managed by GE. While some short term weakness in revenue during the transition is expected, we believe longer term the company is not only higher margin under a direct to customer model but will have total ownership of the customer which adds to its competitive positioning.

Whitehaven Coal Ltd

Not Held by Fund.

Nick Scali Ltd

Like many retailers Nick Scali has been weaker on rising concerns about stretched supply chains and increased freight costs. Several years of elevated sales also present a potential headwind, albeit demand is currently robust and the group's valuation is undemanding.

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 385329) NovaPort, the investment manager of the NovaPort Smaller Companies Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) 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. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante 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.

