

NovaPort Smaller Companies Fund

Quarterly report - June 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)	-10.97	-20.47	-17.32	-0.01	2.66	8.13	5.89	11.33
Growth return	-17.59	-26.39	-24.47	-4.63	-2.06	3.28	1.10	3.32
Distribution	6.63	5.92	7.15	4.62	4.72	4.85	4.79	8.01
S&P/ASX Small Ordinaries Accumulation Index	-13.09	-20.39	-19.52	0.38	5.07	5.37	0.38	6.45
Active return ³	2.12	-0.08	2.20	-0.39	-2.41	2.76	5.51	4.87

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	82.58	80-100
Cash	17.42	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	4.15	0.00	4.15
IPH Ltd	4.66	0.84	3.82
Estia Health Ltd	4.02	0.21	3.81
Gold Road Resources Ltd	4.00	0.47	3.53
EQT Holdings Limited	3.53	0.00	3.53

Fund facts	
Inception date	31 December 2002
Fund size	\$210.4M
APIR code	HOW0016AU

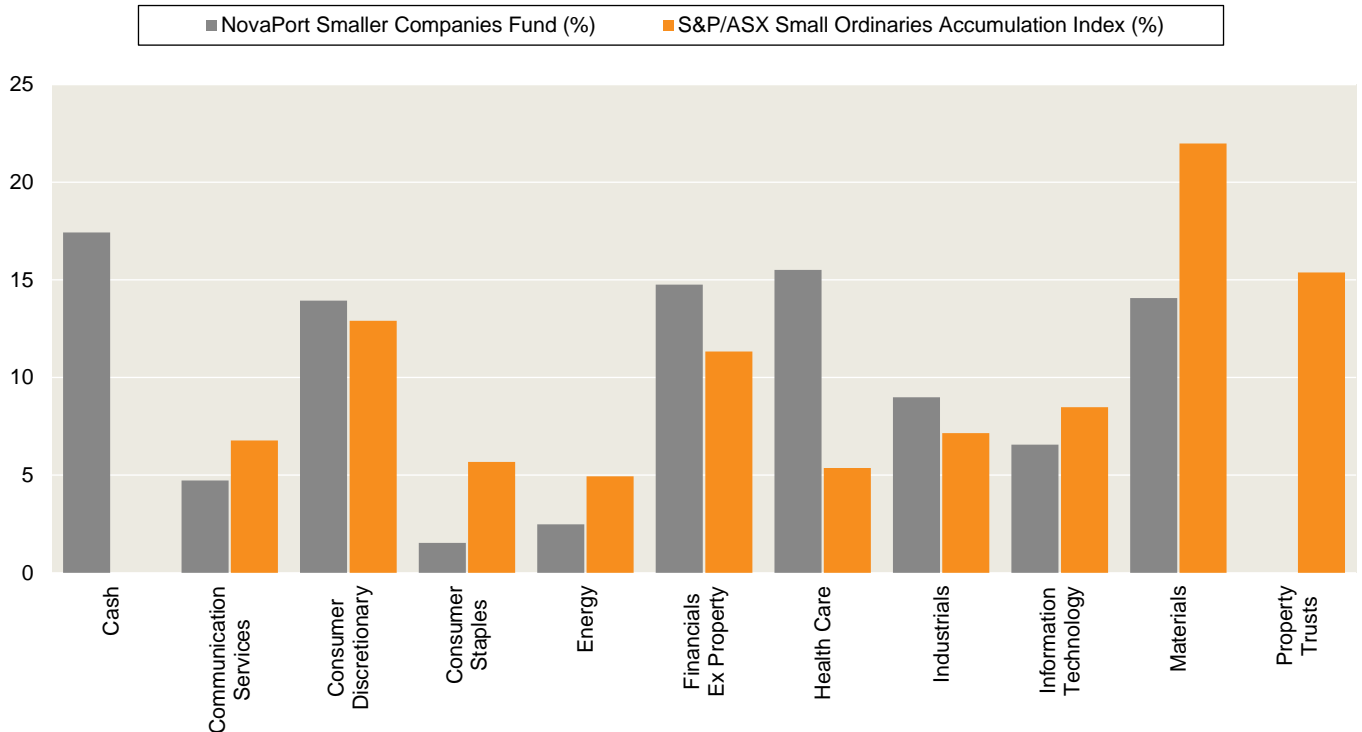
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 30 June 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, 30 June 2022.

Market overview

Australian equities fell sharply in June as slowing economic growth and interest rate hikes spark fears of recession and weaker company profits.

The ASX Small Ordinaries (Accumulation) Index plunged 13.1% last month, dragging the benchmark down 20.4% for the June quarter.

Share markets were softer globally as central banks, led by the powerful US Federal Reserve, pursue aggressive rate hike programs to tame high and persistent inflation.

Current trading conditions and economic data such as retail sales and unemployment remain strong, but markets look forward to tougher times ahead.

In the United States housing markets are cooling rapidly, and several major US retailers posted negative trading updates, sparking a sharp sell-off in consumer discretionary stocks.

Local retail stocks were heavily sold-off in the June quarter, driven by concerns over excess inventory and rising costs in a deteriorating consumer environment.

Expensive technology and growth stocks continued to see selling pressure with higher interest rates pressuring lofty valuations the most.

Commodity prices rolled over during the quarter, with much lower prices for base metals in particular, as markets begin to price much weaker economic growth and a potential recession.

Resources stocks were correspondingly weak after a very strong period, impacted by both lower commodity prices and a series of company downgrades due to staff shortages and soaring costs for labour and diesel.

Australian small resources were down 22.1% last month (-26.6% for the quarter), while small industrials were down 10% for the month (-18.4% for the quarter).

While the sell-off has made equity valuations more attractive, analyst earnings estimates appear too high in a softening economic environment and markets anticipate a downgrade cycle ahead.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -20.39% for the quarter. The fund underperformed the market and delivered a -20.47% return over the quarter.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
IPH Ltd	Industrials	3.82	0.67
Spark New Zealand Ltd	Communication Services	3.18	0.56
EQT Holdings Limited	Financials Ex Property	3.53	0.46

Data Source: Fidante Partners Limited, 30 June 2022.

IPH Ltd

IPH's share price strengthened on limited new information in June. Towards the end of the month, IPH announced that it had entered into an agreement with an IP technology solutions provider to divest IPH's proprietary and non-core timekeeping and billing software solution.

Spark New Zealand Ltd

Spark New Zealand operates a leading telecommunications business in New Zealand, particularly in Mobile. The company has a robust opportunity to leverage its mobile infrastructure and grow Wireless Broadband connections.

EQT Holdings Limited

EQT Holdings trustee and wealth businesses have continued to perform in line with expectations. The company continues to grow into new geographies and new service offerings.

Key detractors

Security name	Sector	Active weight %	Value added %
Seven West Media Ltd	Communication Services	0.00	-0.64
Imricor Medical Systems Inc	Health Care	0.00	-0.61
Whitehaven Coal Ltd	Energy	0.00	-0.60

Data Source: Fidante Partners Limited, 30 June 2022.

Seven West Media Ltd

Seven West Media's share price declined in line with growing market concerns about rising inflation and interest rates weighing on consumer spending and advertising budgets.

Imricor Medical Systems Inc

While the recent global selldown in technology companies, especially those in the earlier stages of their commercial development has weighed on Imricor's share price, the lack of new hospital sites in Europe despite easier access post lockdown has also impacted sentiment.

Whitehaven Coal Ltd

Not Held by Fund.

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 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 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. NovaPort and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, NovaPort and Fidante Partners 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.

