

NovaPort Smaller Companies Fund

Quarterly report - December 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)	-2.06	5.39	-17.23	-0.63	2.62	6.69	5.66	11.46
Growth return	-3.00	4.38	-24.52	-5.31	-2.07	1.97	1.16	3.58
Distribution	0.94	1.01	7.29	4.68	4.69	4.72	4.50	7.89
S&P/ASX Small Ordinaries Accumulation Index	-3.73	7.54	-18.38	1.38	2.92	5.13	0.94	6.65
Active return ³	1.67	-2.15	1.15	-2.01	-0.30	1.56	4.72	4.81

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	91.39	80-100
Cash	8.61	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	4.50	0.00	4.50
EQT Holdings Limited	4.30	0.00	4.30
Estia Health Ltd	4.50	0.21	4.29
Data#3 Ltd	4.21	0.46	3.75
Spark New Zealand Ltd	4.14	0.53	3.61

Fund facts	
Inception date	31 December 2002
Fund size	\$202.4M
APIR code	HOW0016AU

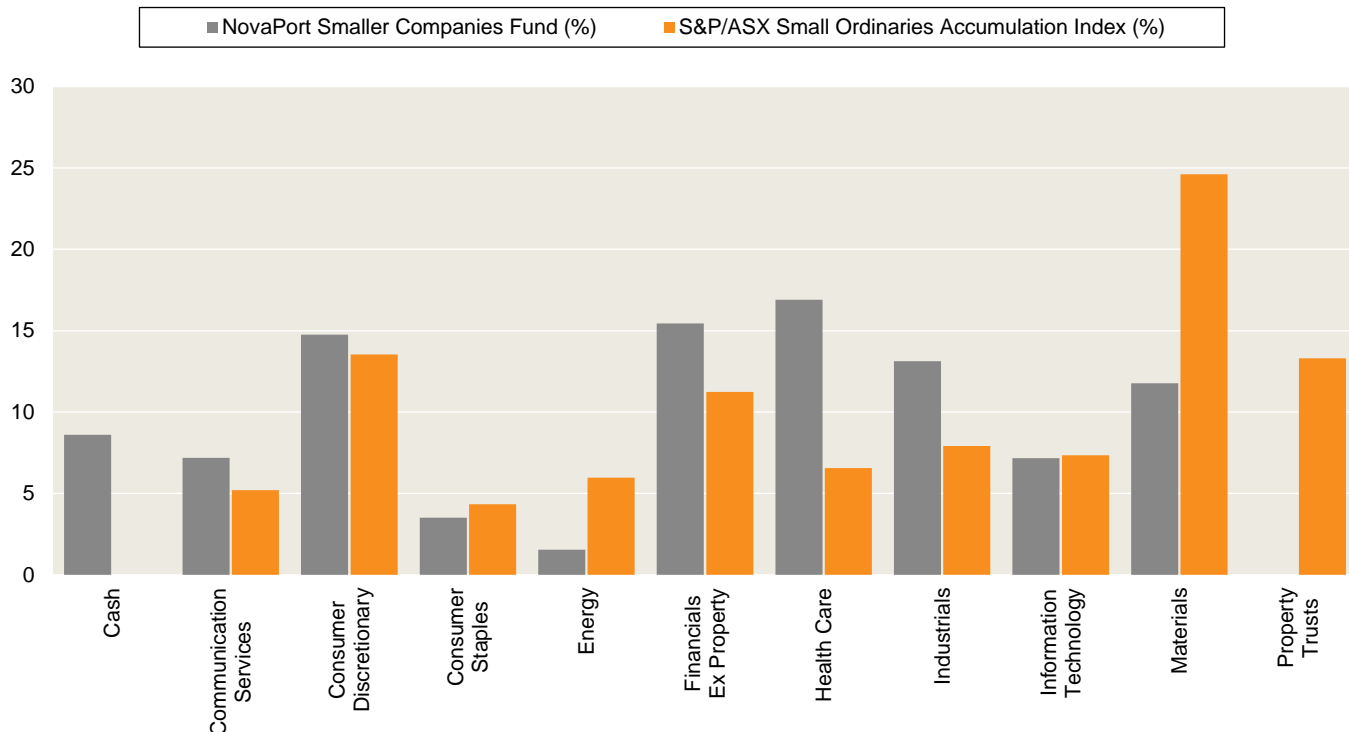
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 December 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 December 2022.

Market overview

Equity markets were weak in December as investors grapple with central bank policy and the reopening of China's economy. The ASX Small Ordinaries (Accumulation) Index fell 3.7% in December, taking the shine off a sharp two-month rally to finish up 7.5% for the quarter.

Some investors conflated slowing US inflation and smaller interest rate hikes with a policy pivot, buying equities aggressively as a result. However, the US Federal Reserve responded to markets by flagging a terminal interest rate above expectations and suggesting rates would be elevated for a protracted period, stymying the rally.

Economic data in the world's biggest economy was mixed with weakness in areas like housing but ongoing strong employment and wages. Europe and the UK also continued their rate hikes amid rapidly deteriorating economics and an uncertain winter due to the energy crisis. Inflation remains very high in the major northern hemisphere economies, albeit the absolute level of price increases has eased in the US.

Market sentiment whip-sawed further when the Chinese Communist Party ended its "zero COVID" policy and moved to reopen the economy. Investors were initially buoyed by the growth potential of a resurgent China, but this hope was fading by December on fears the reopening would be inflationary.

In Australia, inflation is still accelerating, and consumer spending remains robust despite rapid interest rate hikes by the Reserve Bank. Company earnings remain strong, but a steady flow of downgrades have started to filter through the market. Christmas trading is expected to be solid but calendar 2023 is likely to be more challenging.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.54% for the quarter. The fund underperformed the market and delivered a +5.39% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Gold Road Resources Ltd	Materials	3.27	0.86
Ebos Group Ltd	Health Care	4.50	0.67
AUB Group Ltd	Financials Ex Property	2.85	0.34

Data Source: Fidante Partners Limited, 31 December 2022.



Gold Road Resources Ltd

The share prices of listed gold miners, including Gold Road, were up materially over the September quarter as investors priced a weakening inflationary pulse in the US which in turn may see interest rates peak at lower levels than previously expected. Lower rates and a weaker US dollar gold price alleviated some of the sector headwinds impacting miners over a large part of 2022.

Ebos Group Ltd

As a well managed and diversified exposure to the healthcare and pharmacy sectors via its marketing, wholesaling and product distribution divisions, EBOS is ideally positioned as a quality defensive in a more uncertain economic environment.

AUB Group Ltd

Broker groups continue to benefit from a positive environment for insurance premium pricing. In addition, AUB's share price was bolstered over the quarter by a positive trading update for the underlying business, excluding any benefit from the recently completed Tysers acquisition.

Key detractors

Security name	Sector	Active weight %	Value added %
Baby Bunting Group Ltd	Consumer Discretionary	1.08	-0.86
Jervois Global Ltd	Materials	0.97	-0.85
IPH Ltd	Industrials	3.58	-0.67

Data Source: Fidante Partners Limited, 31 December 2022.

Baby Bunting Group Ltd

Baby Bunting's share price declined materially over the quarter with the AGM update highlighting margin pressure driven by a higher than expected level of loyalty points usage, decline in sales within the playgear category as well as still high COVID related costs.

Jervois Global Ltd

Jervois is favourably placed as a purely cobalt-focused miner with operations in lower risk jurisdictions including the United States and Finland. However, a recent decline in the global cobalt price reflecting an unfavourable demand / supply balance in the short term and a capital raising weighed on the stock price over the December quarter.

IPH Ltd

IPH's share price weakened in the December quarter in line with the AUD strengthening versus the USD. IPH continues to integrate their recent and transformational acquisition of Canada's leading IP firm and is competitively positioned to improve underlying profitability and grow market share in secondary markets through client referrals.

For further information, please contact:

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

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.

