

NovaPort Smaller Companies Fund

Quarterly report - March 2023

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)	3.25	3.94	-10.65	11.97	4.02	6.04	7.52	11.53
Growth return	2.76	3.44	-18.64	6.70	-0.79	1.34	2.92	3.70
Distribution	0.49	0.50	7.99	5.27	4.81	4.71	4.60	7.82
S&P/ASX Small Ordinaries Accumulation Index	-0.72	1.88	-13.19	13.16	3.89	5.16	2.20	6.66
Active return ³	3.97	2.06	2.55	-1.18	0.14	0.88	5.32	4.86

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	91.55	80-100
Cash	8.45	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	5.84	0.26	5.58
Ebos Group Ltd	4.45	0.36	4.08
EQT Holdings Limited	3.98	0.00	3.98
United Malt Grp Ltd	4.30	0.56	3.74
Monash IVF Group Limited	3.47	0.00	3.47

Fund facts	
Inception date	31 December 2002
Fund size	\$199.9M
APIR code	HOW0016AU

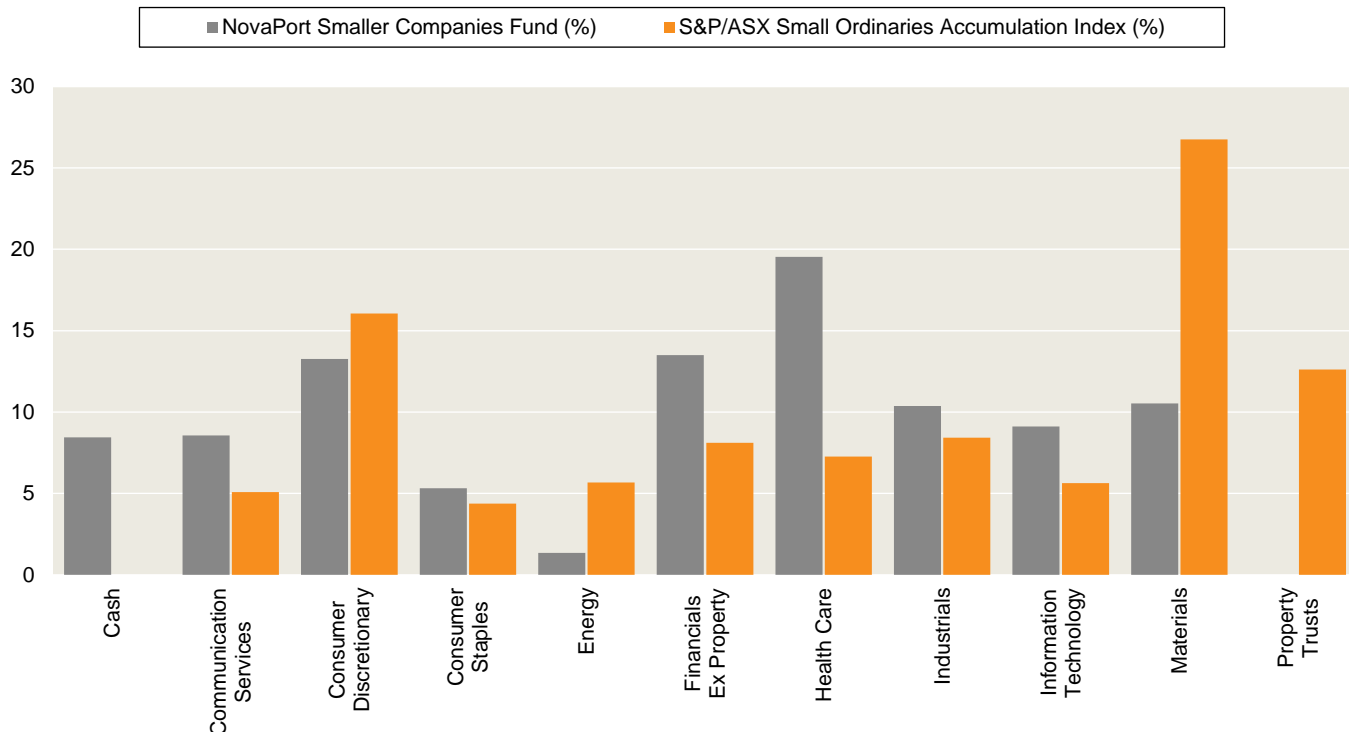
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 March 2023.

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 2023.

Market overview

Smaller company shares fell in March as bank failures roiled global markets and drove a recalibration of interest rate expectations.

The ASX Small Ordinaries (Accumulation) Index fell 0.7% last month, losing further ground following a weak February. However, the benchmark still managed a 1.9% gain for the quarter given a very sharp rally in January.

In the United States Silicon Valley Bank collapsed as rising interest rates exacerbated an asset-liability mismatch and customers rushed to pull their deposits.

US cryptocurrency lender Silvergate also failed last month, while California's First Republic Bank showed troubling vulnerability that prompted intervention from regulators and other lenders.

On the other side of the Atlantic, Credit Suisse, Switzerland's second biggest bank, was hurriedly pushed by regulators into a cut price merger with rival UBS amid fears it would collapse.

These gyrations in the financial system sparked fears of contagion and prompted major volatility in bond markets.

However, the turmoil also prompted a rethink on interest rates, with expectations shifting to lower peak rates and an earlier pause of central bank hiking given concerns over financial stability.

On the domestic front, Australia's interim reporting season demonstrated strong results, but early trading in 2023 has shown weakness emerging in pockets of the economy.

Inflation remains high and employment is very strong, but wage and price pressures have eased from their peak.

The Reserve Bank's rapid rate hiking cycle is impacting the housing market and leveraged consumers, but the hikes will be felt more fully as cheap fixed-rate mortgages roll-off over the next 12 or so months.

Several ASX-listed companies received takeover bids in March from a mix of strategic and private equity buyers.

These bids underscore the ongoing hunt for value in specific stocks amid the tumultuous macroeconomic backdrop.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.88% for the quarter. The fund outperformed the market and delivered a +3.94% return over the quarter.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Estia Health Ltd	Health Care	5.58	1.26
United Malt Grp Ltd	Consumer Staples	3.74	0.99
Domain Holdings Australia Ltd	Communication Services	2.46	0.42

Data Source: Fidante Partners Limited, 31 March 2023.

Estia Health Ltd

Estia Health received a non binding, indicative takeover offer. The company is offering a constructive yet limited engagement with the proposal.

United Malt Grp Ltd

United Malt Group received a takeover bid from a rival global maltster. The bid was at an attractive premium. The company holds expensive to replace assets which are becoming attractive in the current investment environment.

Domain Holdings Australia Ltd

Domain faces weaker listing volumes which will weigh on growth in 2023. The company is adjusting its cost base to suit the revenue environment. A recovery in residential property listings will see a rebound in revenue.

Key detractors

Security name	Sector	Active weight %	Value added %
Liontown Resources Ltd	Materials	-2.05	-1.02
IPH Ltd	Industrials	1.69	-0.52
Jervois Global Ltd	Materials	-0.05	-0.35

Data Source: Fidante Partners Limited, 31 March 2023.

Liontown Resources Ltd

Not held by the fund.

IPH Ltd

IPH's share price declined towards the end of the March quarter due to the occurrence of a cyber incident. The incident involved unauthorised access to two Australian subsidiaries. IPH continues to deploy external cyber security advisors, undertake their investigation and is transitioning back to normal operating procedures. The impact on clientele is still to be assessed but positively, IPH has long standing relationships with clients.

Jervois Global Ltd

Declining cobalt prices have weighed on the earnings Jervois will generate from its Finnish refining investment as well as delayed the commencement of mining at its Idaho Cobalt Project. Jervois relied on these earnings to fund its growth ambitions. The position has been exited.

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.

