

NovaPort Smaller Companies Fund

Quarterly report - September 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)	-2.10	4.08	12.97	6.08	3.20	5.19	8.51	11.40
Growth return	-2.57	3.58	9.38	0.57	-1.36	0.35	4.23	3.68
Distribution	0.47	0.50	3.59	5.51	4.57	4.84	4.28	7.72
S&P/ASX Small Ordinaries Accumulation Index	-4.04	-1.94	6.85	2.57	1.63	5.13	3.72	6.37
Active return ³	1.94	6.02	6.12	3.51	1.57	0.06	4.79	5.03

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	93.61	80-100
Cash	6.39	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Monash IVF Group Limited	4.72	0.00	4.72
Regis Healthcare Ltd	4.62	0.00	4.62
EQT Holdings Limited	4.49	0.00	4.49
Estia Health Ltd	3.92	0.34	3.57
AUB Group Ltd	4.68	1.25	3.42

Fund facts	
Inception date	31 December 2002
Fund size	\$171.7M
APIR code	HOW0016AU

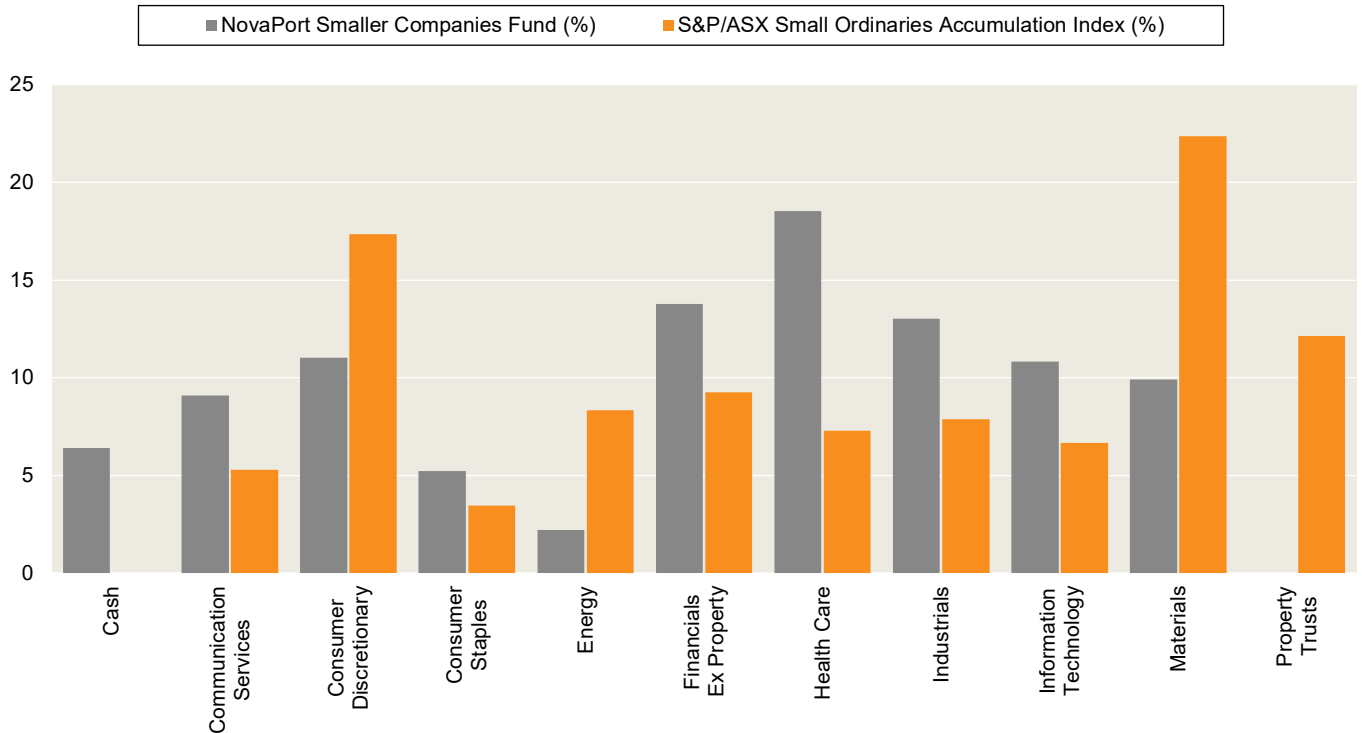
Fees	
Entry fee	Nil
2022-2023 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 30 September 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, 30 September 2023.

Market overview

Spiking bond yields drove Australian shares lower last month amid mounting expectations that interest rates will stay higher for longer and potentially have further to rise. The ASX Small Ordinaries (Accumulation) Index shed 4% in September, taking losses to 1.9% for the quarter.

Equity markets were weak globally with the tech-heavy NASDAQ diving almost 6% last month (-4.1% for the quarter). Yields on US 10-year bonds, a key global valuation benchmark, surged almost 50 basis points in September to just shy of 4.6%, while Australian 10-year bonds jumped a similar amount. Optimism from softening inflation data supported equities in July, but the shift in bond markets subsequently overwhelmed the peak rates narrative.

At the same time, sustained economic resilience has deferred rate cut expectations, while surging oil prices have reignited fears over persistent inflation. Brent crude oil surged 10% last month and almost 30% over the quarter to around \$95 a barrel. Notwithstanding post September weakness, crude prices are robust and may well reignite cost pressures.

Energy was the top performing sector last month, driven by traditional oil and gas stocks, as well as uranium miners given renewed interest in nuclear energy. Lithium miners remain under pressure due to lower prices. Amid industrials, technology stocks had a strong quarter on easing inflation fears but were weak in September due to the shift in bond markets.

The August reporting season was generally solid, supported by strong jobs data and sustained economic momentum, although pockets of weakness are emerging. While macroeconomic factors are currently in the driver's seat, quarterly earnings in the US and the upcoming Annual General Meeting season will provide fresh data points for fundamentals to reassert themselves.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -1.94% for the quarter. The fund outperformed the market and delivered a +4.08% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	4.62	1.04
Siteminder Ltd	Information Technology	1.98	0.79
Monadelphous Group Limited	Industrials	3.34	0.70

Data Source: Fidante Partners Limited, 30 September 2023.



Regis Healthcare Ltd

With the takeover of Estia Healthcare by private equity, Regis Healthcare will become the only listed Aged Care operator on the ASX for investors seeking exposure to the demographic growth and sector turnaround.

Siteminder Ltd

SiteMinder's share price gains reflect the culmination of positive updates released over the last 12 months which highlighted software subscriber growth, but not at the expense of additional cash burn. If anything, a strong top line, combined with cost saves, has seen timing expectations for cashflow breakeven brought forward as the year has progressed.

Monadelphous Group Limited

The robust outlook for capital expenditures across a range of commodities and sectors should fuel demand for Monadelphous' engineering services. This improving demand outlook, and recent key contract wins, boosted the Monadelphous share price.

Key detractors

Security name	Sector	Active weight %	Value added %
Leo Lithium Ltd	Materials	0.44	-0.47
Pro Medicus Limited	Health Care	-1.88	-0.44
New Hope Corporation Ltd	Energy	-1.41	-0.38

Data Source: Fidante Partners Limited, 30 September 2023.

Leo Lithium Ltd

Leo Lithium reported a change in its fiscal terms and mine ownership of the Goulamina Project in Mali. Its partner (Ganfeng) will take a larger interest in the Lithium project and the government of Mali is seeking to impose less favourable terms on the project.

Pro Medicus Limited

Not held by the fund.

New Hope Corporation Ltd

Not held by the 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.

