

NovaPort Smaller Companies Fund

Quarterly report - December 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) | 3.77 | 4.63 | 12.16 | 2.55 | 6.94 | 5.53 | 11.23 | 11.50 |
| Growth return | 3.08 | 3.94 | 8.92 | -2.88 | 2.53 | 0.74 | 6.93 | 3.82 |
| Distribution | 0.68 | 0.69 | 3.24 | 5.43 | 4.41 | 4.80 | 4.31 | 7.67 |
| S&P/ASX Small Ordinaries Accumulation Index | 7.23 | 8.52 | 7.82 | 0.95 | 6.40 | 6.01 | 6.72 | 6.71 |
| Active return ³ | -3.46 | -3.89 | 4.33 | 1.60 | 0.53 | -0.48 | 4.52 | 4.79 |

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 | 92.64 | 80-100 |
| Cash | 7.36 | 0-20 |

| Top 5 active positions | Fund weight % | Index weight % | Active weight % |
|--------------------------|---------------|----------------|-----------------|
| Regis Healthcare Ltd | 5.34 | 0.00 | 5.34 |
| Monash IVF Group Limited | 4.49 | 0.00 | 4.49 |
| EQT Holdings Limited | 4.19 | 0.00 | 4.19 |
| Gold Road Resources Ltd | 4.85 | 0.85 | 4.00 |
| Technology One Limited | 3.96 | 0.00 | 3.96 |

| Fund facts | |
|----------------|------------------|
| Inception date | 31 December 2002 |
| Fund size | \$167.2M |
| APIR code | HOW0016AU |

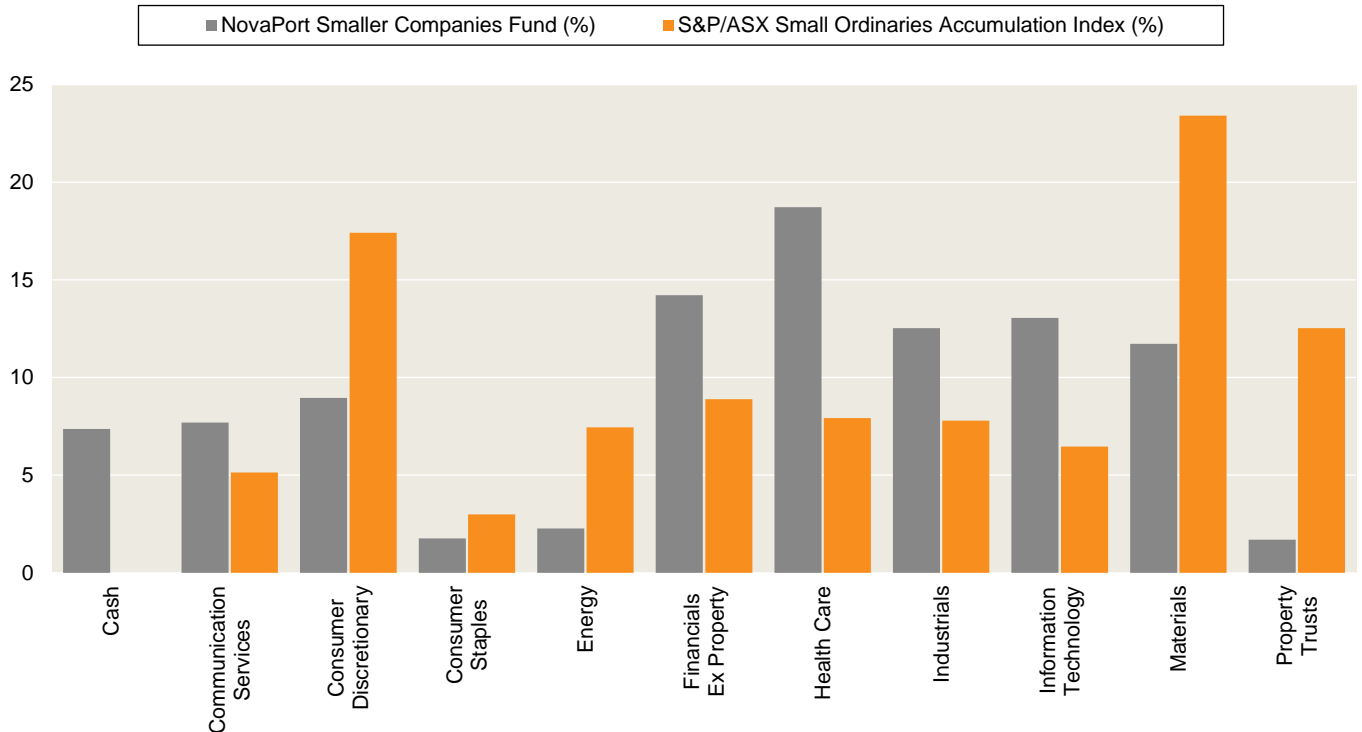
| Fees | |
|------------------------------|---|
| Entry fee | Nil |
| 2022-2023 ICR | 0.90% |
| Management fee ¹ | 0.90% p.a. |
| Performance fee ² | 20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily 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, 31 December 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 2014

Sector exposure



Data Source: Fidante Partners Limited, 31 December 2023.

Market overview

Equities surged again in December amid mounting confidence that interest rates have peaked and inflation is normalising. The ASX Small Ordinaries (Accumulation) Index soared 7.2% last month to close 8.5% higher for the December quarter, reflecting a sudden change in market sentiment. A very weak October (-5.5%) was rapidly overcome with strong gains in November and December as investor expectations readjusted from 'higher for longer' to anticipate rate cuts in 2024. Bond yields retreated sharply from their peaks as the outlook changed.

Inflation in the United States continues to ease, and US Federal Reserve commentary has reinforced the 'peak rates' narrative. While growth has slowed in the world's biggest economy, a much-feared US recession is yet to materialise, and the American labour market is (so far) easing without a big spike in unemployment. The Australian experience appears to be six to twelve months behind the US. Domestic inflation is high but also easing and labour availability, while difficult, is improving. There is less market confidence in the timing of Reserve Bank of Australia cuts, but most economists believe the RBA delivered its final or penultimate rate hike in November.

Quarterly trading updates showed the Australian economy remains solid, albeit there are some concerns over consumer spending post Christmas. Extremely high immigration continues to bolster demand is likely masking the impact higher rates and cost of living are having on many Australians.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +8.52% for the quarter. The fund underperformed the market and delivered a +4.63% return over the quarter.

Performance of key securities

Key contributors

| Security name | Sector | Active weight % | Value added % |
|-------------------------|-------------|-----------------|---------------|
| Regis Healthcare Ltd | Health Care | 5.34 | 0.55 |
| Gold Road Resources Ltd | Materials | 4.00 | 0.44 |
| Healius Ltd | Health Care | 0.60 | 0.39 |

Data Source: Fidante Partners Limited, 31 December 2023.



Regis Healthcare Ltd

Following the takeover of Estia Health, Regis is the last remaining listed equity exposure to Australia's residential aged care sector. Following a long period of margin erosion and industry turmoil, recent funding reforms and improvements in occupancy are a catalyst to generate sustainable returns.

Gold Road Resources Ltd

A rising gold price during the final month of 2023 supported share prices of gold producers, including Gold Road. Some of this benefit was mitigated by a higher Australian dollar.

Healius Ltd

The portfolio invested in Healius after the recent recapitalisation. The weight of the new issuance saw the share price fall to an attractive entry point into a significant player in Australia's pathology and medical imaging markets.

Key detractors

| Security name | Sector | Active weight % | Value added % |
|----------------------------|------------------------|-----------------|---------------|
| EQT Holdings Limited | Financials Ex Property | 4.19 | -0.80 |
| IPH Ltd | Industrials | 2.93 | -0.76 |
| Neuren Pharmaceuticals Ltd | Health Care | -1.26 | -0.70 |

Data Source: Fidante Partners Limited, 31 December 2023.

EQT Holdings Limited

At its recent AGM EQT holdings highlighted that while revenue growth remains strong, it expects high expense growth in FY24 as it beds down the acquisition of AET and invests in technology growth. This saw some negative earnings revisions which weighed on share price performance during the final quarter of CY23.

IPH Ltd

While IPH continues to execute on its stated strategy to expand internationally with its second acquisition in Canada in November, the market remains cautious. Specifically, progress in debt reduction post recent acquisitions and continued improvement in volumes domestically relative to market will be of focus.

Neuren Pharmaceuticals 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.

