

# NovaPort Smaller Companies Fund

## Quarterly report - March 2024

| Performance <sup>1</sup>                    | 1 month % | Quarter % | 1 year % | 3 years % p.a | 5 years % p.a | 10 years % p.a | 15 years % p.a | Inception % p.a <sup>2</sup> |
|---|-----------|-----------|----------|---------------|---------------|----------------|----------------|------------------------------|
| Fund return (net)                           | 2.60      | 6.03      | 14.41    | 4.50          | 5.43          | 5.91           | 11.57          | 11.66                        |
| Growth return                               | 2.37      | 5.79      | 11.39    | -1.05         | 1.10          | 1.09           | 7.33           | 4.06                         |
| Distribution                                | 0.23      | 0.24      | 3.02     | 5.55          | 4.33          | 4.83           | 4.24           | 7.61                         |
| S&P/ASX Small Ordinaries Accumulation Index | 4.79      | 7.55      | 13.83    | 2.72          | 5.43          | 6.69           | 7.38           | 6.99                         |
| Active return <sup>3</sup>                  | -2.19     | -1.52     | 0.58     | 1.78          | 0.00          | -0.78          | 4.19           | 4.67                         |

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 31 December 2002

<sup>3</sup> 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         | 94.03    | 80-100  |
| Cash             | 5.97     | 0-20    |

| Top 5 active positions   | Fund weight % | Index weight % | Active weight % |
|--------------------------|---------------|----------------|-----------------|
| Technology One Limited   | 4.29          | 0.00           | 4.29            |
| Regis Healthcare Ltd     | 4.31          | 0.21           | 4.10            |
| Monash IVF Group Limited | 4.00          | 0.21           | 3.79            |
| Gold Road Resources Ltd  | 4.03          | 0.63           | 3.40            |
| PEXA Group Ltd           | 3.57          | 0.65           | 2.92            |

| Fund facts     |                  |
|----------------|------------------|
| Inception date | 31 December 2002 |
| Fund size      | \$170.5M         |
| APIR code      | HOW0016AU        |

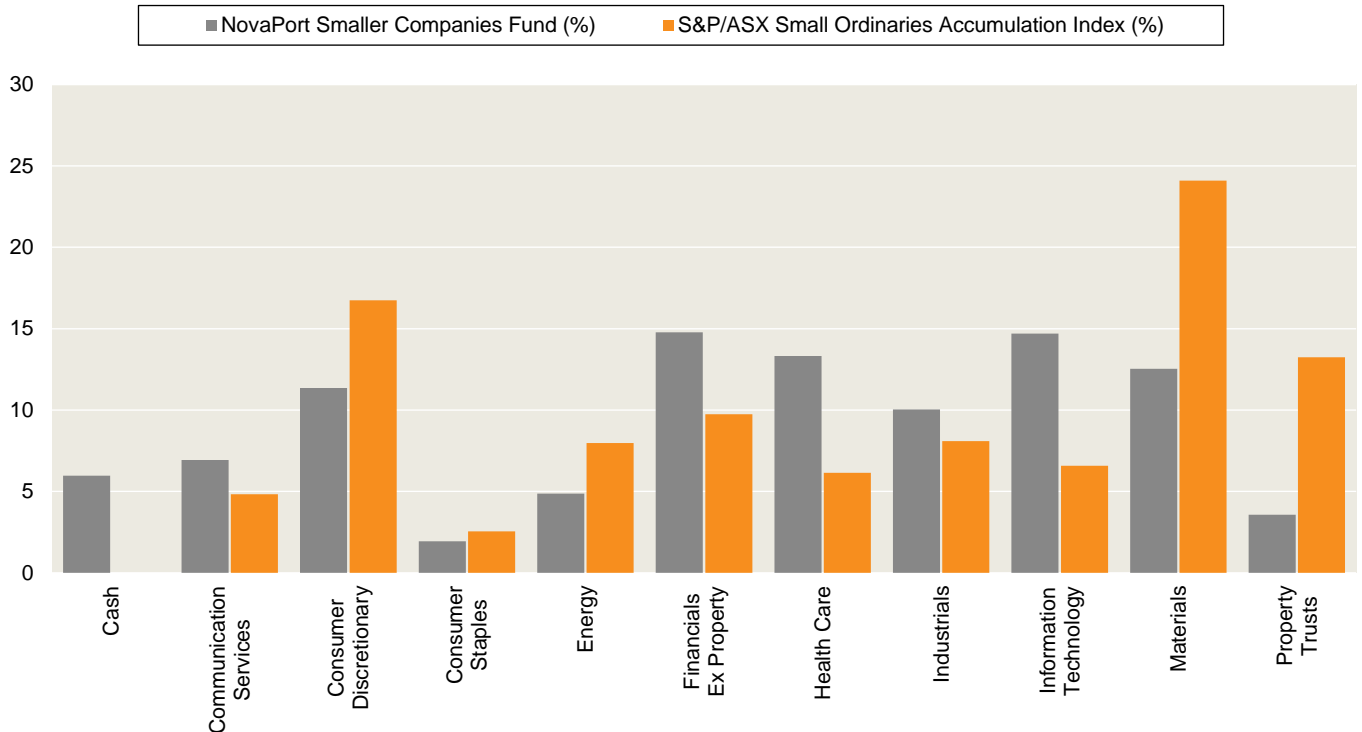
| Fees                         |   |
|------------------------------|---|
| Entry fee                    | Nil   |
| 2022-2023 ICR                | 0.90%   |
| Management fee <sup>1</sup>  | 0.90% p.a.  |
| Performance fee <sup>2</sup> | 20% of the Fund's daily return (after fees and expenses and after 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 2024.**

<sup>1</sup> 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.

<sup>2</sup> The performance fee was introduced from 1 October 2011

## Sector exposure



Data Source: Fidante Partners Limited, 31 March 2024.

## Market overview

Australian small companies surged in March on the back of strong corporate earnings and easing inflationary pressure. The ASX Small Ordinaries (Accumulation) Index rose 4.8% last month, capping a robust 7.6% gain for the March quarter. The rally continues a sharp upswing for equity markets that kicked off in November 2023, as declining inflation fuelled bets on near-term interest rate cuts.

While the broad picture of disinflation and lower rates remains largely intact, markets have reduced expectations for US Fed rate cuts in 2024 and there is much less confidence around when the cutting cycle will commence. The 'last mile' of inflation – sticky services prices – also appears to be more difficult to tackle and may require a less aggressive cutting profile. In Australia, the Reserve Bank has also stayed on hold. But a still solid economy, with resilient house prices and a very strong jobs market, means rate cuts are unlikely until late 2024 at the earliest.

The local corporate earnings season reflected the underlying strength of the economy, with profits generally better than expected across the board. Sales trends are sound across a range of sectors, although price is offsetting weaker volumes in some consumer-facing businesses. Sustained migration at near-record levels is undoubtedly a tailwind for demand and a prop for GDP and government tax revenues. Elevated government spending is supporting the economy and labour markets in many developed economies.

Small industrials continued their strong run, rising 3.5% for the month (+9.6% March quarter), while small resources rallied 8.5% in March to close 5.8% higher for the quarter. Gold, copper, and oil prices have all been strong, driving resource equities higher. Iron ore has also been resilient despite softness in the Chinese economy, which remains a key source of risk for the local market.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.55% for the quarter. The fund underperformed the market and delivered a +6.03% return over the quarter.

## Performance of key securities

### Key contributors

| Security name        | Sector                 | Active weight % | Value added % |
|----------------------|------------------------|-----------------|---------------|
| Regis Healthcare Ltd | Health Care            | 4.10            | 0.84          |
| Netwealth Group Ltd  | Financials Ex Property | 2.72            | 0.69          |
| Audinate Group Ltd   | Information Technology | 2.28            | 0.40          |

Data Source: Fidante Partners Limited, 31 March 2024.



## Regis Healthcare Ltd

Regis Healthcare is the sole remaining listed aged care provider, thus benefits as investors seek to gain exposure to the sector. The company is seeing strong occupancy and accretive growth opportunities. The Aged Care sector appears to be heading on a more sustainable path; following a long period of funding cuts and a Royal Commission (capped by a pandemic).

## Netwealth Group Ltd

Netwealth's platform services continue to win market share, particularly as advisers seek the efficiencies available from embracing SMA's / Managed Accounts. The company is extending its market opportunity by offering new services and addressing broader customer segments

## Audinate Group Ltd

Investor appetite for long term growth opportunities (such as Audinate) remains very strong. The Audinate share price has continued to perform well as a growing cohort of the market begins to appreciate the strong lead its platform has in Audio networking as well as the exciting opportunities in AV.

## Key detractors

| Security name           | Sector                 | Active weight % | Value added % |
|-------------------------|------------------------|-----------------|---------------|
| Gold Road Resources Ltd | Materials              | 3.40            | -1.04         |
| Nanosonics Limited      | Health Care            | -0.29           | -0.94         |
| KMD Brands Limited      | Consumer Discretionary | 1.37            | -0.60         |

Data Source: Fidante Partners Limited, 31 March 2024.

## Gold Road Resources Ltd

Heavy rainfall near the Gruyere mine during March resulted in some extended road closures. This limited access to the mine site and resulted in a temporary reduction to the mining rate. The company has established new supply routes via South Australia, providing sufficient fuel supply to permit a recovery of mining rates during April.

## Nanosonics Limited

Nanosonic's price fell over the quarter with the release of a trading update showing revenue growth for the December half materially below expectations. In its August results presentation last year management flagged budget constrained hospitals as a headwind to sales, however the extent of the impact surprised investors.

## KMD Brands Limited

KMD's share price fell over the quarter on trading updates flagging revenues down year on year for the six months to January 2024 versus last year partly due to warmer winter for its Kathmandu label as well as market share losses exacerbated by the company's reluctance to discount to the extent it has in the past. However, we note prior corresponding revenues were up significantly as the company benefited from post COVID reopening activity.

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### For further information, please contact:

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