

NovaPort Smaller Companies Fund

Monthly report - February 2020

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)	-6.26	-2.53	8.28	7.76	5.54	10.09	9.97	13.36
Growth return	-6.26	-3.34	4.41	3.63	0.25	5.90	1.01	4.95
Distribution	0.00	0.81	3.87	4.13	5.29	4.18	8.96	8.41
S&P/ASX Small Ordinaries Accumulation Index	-8.68	-5.87	1.64	8.32	7.43	4.38	4.35	7.17
Active return ³	2.42	3.33	6.64	-0.56	-1.88	5.70	5.62	6.18

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	89.48	80-100
Cash	10.52	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	4.63	0.66	3.97
AUB Group Ltd	4.43	0.54	3.89
Kathmandu Holdings Ltd	3.63	0.00	3.63
Credit Corp Group	4.42	0.94	3.48
Mystate Ltd	3.54	0.29	3.25

Fund facts	
Inception date	31 December 2002
Fund size	\$293.2M
APIR code	HOW0016AU

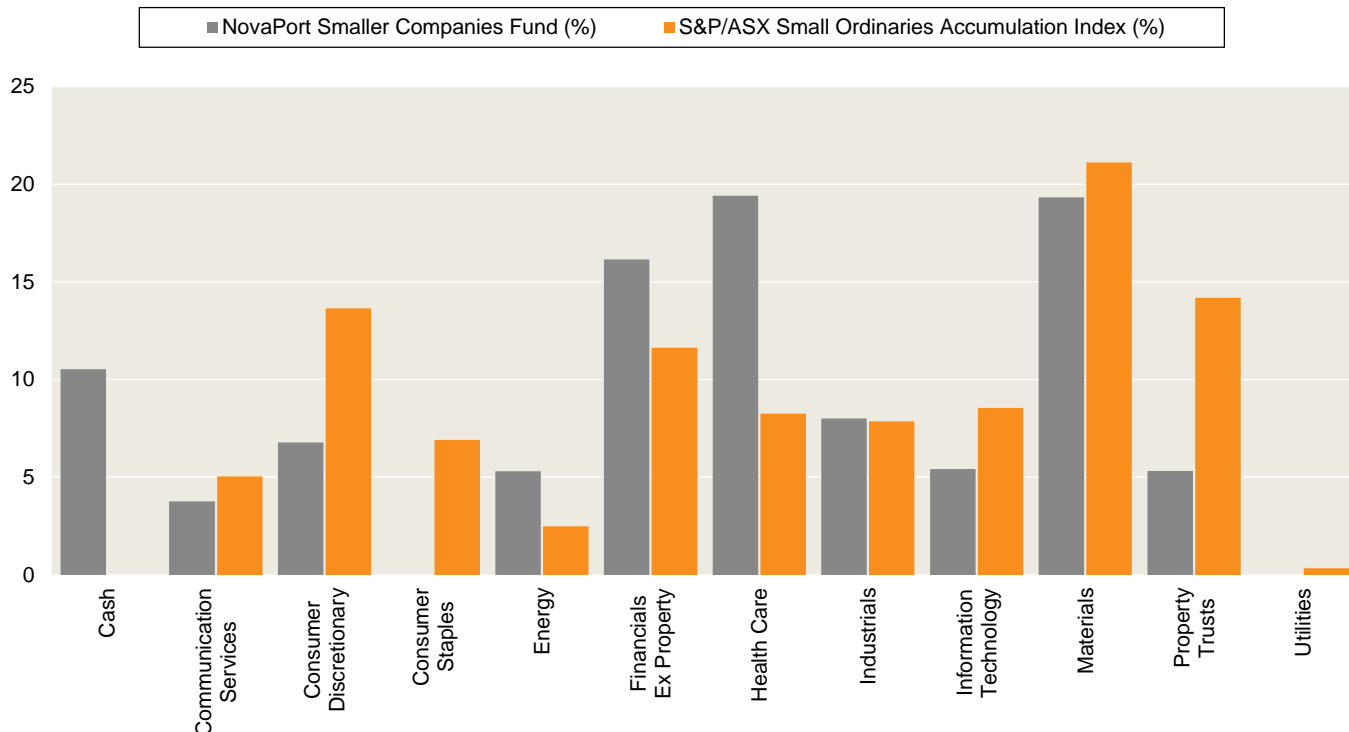
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 29 February 2020.

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, 29 February 2020.

Market overview

The ASX Small Ordinaries (Accumulation) Index posted a sharp 8.7% fall in February as the spread COVID-19 sparked fears of a global pandemic.

The sell-off was broad-based, with small resources down 9.7% while industrials shed 8.4%, and more than wiped out a strong January (+3.4%) for the local market.

Sharp local falls were mirrored in offshore equity markets and global economic growth expectations were revised down by most forecasters. Prices for oil and base metals were weaker in accordance with a more anaemic growth outlook and much weaker Chinese economic data.

Initial worries about businesses directly impacted by the virus, such as travel agents and airlines, gave way to widespread concern over exposure to Chinese supply chains and general economic malaise.

Domestically, corporate earnings were relatively soft for the six months ended 31 December. Downgrades outnumbered upgrades and aggregate earnings revisions were slightly negative, suggesting a fragile domestic economy even before the virus became a concern.

While strong house price rises and high clearance rates in Sydney and Melbourne are normally a positive for housing-exposed businesses such as retail, the outlook is clouded by increasing levels of virus related uncertainty. As such, volatility is likely to persist as markets weigh negative news relating to the virus with potential central bank and government intervention.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -8.68% for February. The fund outperformed the market and delivered a -6.26% return over February.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
AUB Group Ltd	Financials Ex Property	3.89	0.54
Mystate Ltd	Financials Ex Property	3.25	0.54
Fisher & Paykel Healthcare Corporation Limited	Health Care	2.65	0.43

Data Source: Fidante Partners Limited, 29 February 2020.

AUB Group Ltd

AUB group announced two significant acquisitions during the month. Subsequent to this, the company upgraded its earnings guidance on a continued hardening of the premium cycle as well as the accretive nature of the acquisitions.



Mystate Ltd

The company delivered a robust result with some benefits emerging from the recent investment in process and systems. Mystate has delivered sound growth relative to the broader banking sector, however margins remain highly competitive. Thus technology driven efficiency is key to delivering scale and profits.

Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel continue to drive growth from selling hardware and consumables used by Hospitals for respiratory support. The company is also releasing new products in the home care market (mainly treating OSA) which are also expected to drive growth.

Key detractors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	2.00	-0.46
IDP Education Ltd	Consumer Discretionary	-1.43	-0.31
Estia Health Ltd	Health Care	2.06	-0.28

Data Source: Fidante Partners Limited, 29 February 2020.

Regis Healthcare Ltd

The aged care stocks traded weaker during the period on ongoing concerns surrounding occupancy affected by increased home care packages delaying entry of residents into residential care. That said, the interim report from the Royal Commission into the sector was recently released and is showing some sign posts to a more stable regulatory environment, albeit the exact path and timing will not be known until the release of the full findings in November 2020.

IDP Education Ltd

Not held by the fund.

Estia Health Ltd

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For further information, please contact:

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