

NovaPort Smaller Companies Fund

Monthly report - August 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)	3.17	3.86	-5.48	3.55	5.37	9.44	9.14	12.45
Growth return	3.17	3.65	-6.99	-0.15	1.31	5.32	0.94	4.30
Distribution	0.00	0.21	1.51	3.70	4.06	4.12	8.20	8.15
S&P/ASX Small Ordinaries Accumulation Index	7.24	6.61	2.07	8.01	10.47	4.73	3.98	7.23
Active return ³	-4.07	-2.76	-7.54	-4.47	-5.11	4.71	5.15	5.22

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	92.28	80-100
Cash	7.72	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	4.91	0.66	4.25
Saracen Mineral Holdings Ltd	4.10	0.00	4.10
Ebos Group Ltd	3.84	0.00	3.84
EQT Holdings Limited	3.38	0.00	3.38
Kathmandu Holdings Ltd	3.42	0.13	3.29

Fund facts	
Inception date	31 December 2002
Fund size	\$271.1M
APIR code	HOW0016AU

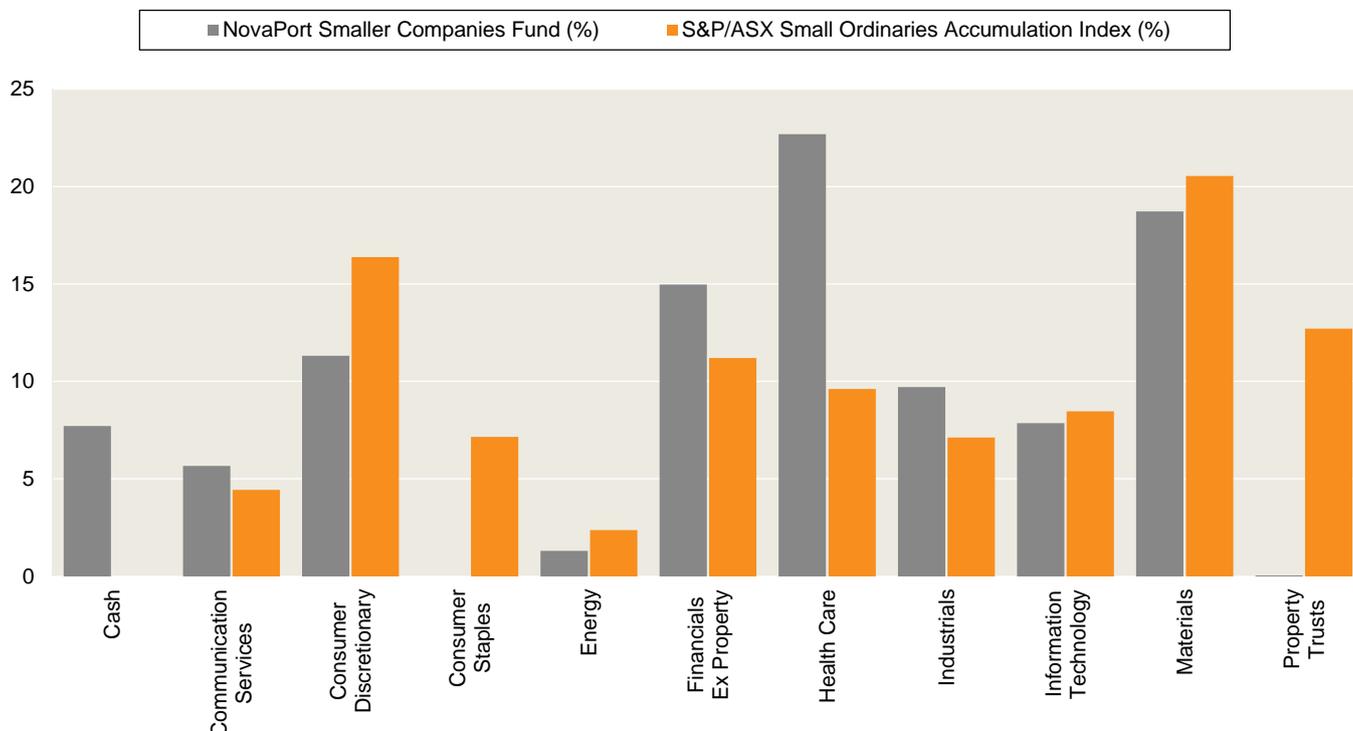
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 August 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, 31 August 2020.

Market overview

Australian small caps surged in August as company earnings broadly met expectations and confidence in the economic recovery strengthened. The local reporting season revealed the impact of COVID-19 restrictions on company earnings with aggregate earnings per share falling around 16%. However, this fall was in-line with market forecasts and was supportive for share prices. The ASX Small Ordinaries (Accumulation) Index jumped 7.2% last month, dramatically outperforming large caps (+2.5%). In a reversal of July trading, Small Industrials (+9.6%) were much stronger than Small Resources (-1.5%). Economic data also delivered positive surprises with private capital expenditure and construction work done falling, but not to the extent previously feared. Alongside this fundamental data, last month's rally was partly driven by a rerating of equities. Expanding valuation multiples further showed a trend of investor willingness to pay more for the same earnings in a low growth, low interest rate environment. This dynamic, particularly evident amongst tech stocks locally, was underpinned by the Nasdaq's 9.59% surge in August; its best performance since April. While company earnings proved relatively resilient in this crisis, earnings quality was poor, and many businesses were unable to provide forward guidance. This uncertainty, coupled with a scheduled wind-down of fiscal support programs such as Job Keeper, could temper market enthusiasm for the recovery.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.24% for August. The fund underperformed the market and delivered a +3.17% return over August.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Baby Bunting Group Ltd	Consumer Discretionary	2.51	0.46
AUB Group Ltd	Financials Ex Property	3.20	0.38
Integral Diagnostics Ltd	Health Care	2.72	0.35

Data Source: Fidante Partners Limited, 31 August 2020.

Baby Bunting Group Ltd

Reported a strong full year result validating its position as one of the preferred retail exposures for ex-100 investors. Ideal combination of bricks and mortar outlets and growing online exposure as well as lower levels of competition (largely due to product exclusivity arrangements with suppliers) continue to support the price.

AUB Group Ltd

AUB Group reported earnings ahead of market expectations. The group is expected to see further earnings growth supported by annualization of prior year acquisitions and synergies and inflation in premiums. The company is enhancing its technology platforms and capabilities with a goal to drive efficiency and service.



Integral Diagnostics Ltd

Significant disruption due to the pandemic resulted in a mixed performance for Integral Diagnostic's radiology practices. The company was able to benefit from government support packages which allowed it to retain capacity to deliver services to the community. Volumes have recovered in states where social distancing restrictions have been eased.

Key detractors

Security name	Sector	Active weight %	Value added %
Gold Road Resources Ltd	Materials	4.25	-1.15
Saracen Mineral Holdings Ltd	Materials	4.10	-0.98
IDP Education Ltd	Consumer Discretionary	-1.62	-0.49

Data Source: Fidante Partners Limited, 31 August 2020.

Gold Road Resources Ltd

Gold Road Resources share price softened on limited news or impetus from underlying gold prices. The market appears to be taking a wait and see approach while the gold milling and processing plant adapts to the deeper ores now being mined. On a month to month basis this may require some operational refinements however we expect these to be overcome in the near term as the plant was designed to process these ores.

Saracen Mineral Holdings Ltd

Similar to other listed gold exposures, Saracen's hasn't had the same gold price support over the last month. In addition, increased investment in the Super Pit in the short to medium term has weighed on the price despite improved longer term prospects for mine life.

IDP Education Ltd

Not held by the fund.

For further information, please contact:

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