

# NovaPort Smaller Companies Fund

## Monthly report - February 2021

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)	-0.05	5.39	5.61	6.05	8.67	9.09	9.91	12.92
Growth return	-0.05	5.02	4.45	2.56	4.67	5.09	1.71	4.92
Distribution	0.00	0.37	1.16	3.50	4.00	3.99	8.20	8.00
S&P/ASX Small Ordinaries Accumulation Index	1.55	4.08	17.18	7.23	11.71	4.00	4.04	7.70
Active return <sup>3</sup>	-1.60	1.31	-11.57	-1.17	-3.04	5.09	5.86	5.22

**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	94.19	80-100
Cash	5.81	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Independence Group NL	4.53	0.00	4.53
Estia Health Ltd	4.03	0.21	3.82
Credit Corp Group	4.46	0.90	3.56
Ebos Group Ltd	3.51	0.00	3.51
AUB Group Ltd	3.88	0.59	3.28

Fund facts	
Inception date	31 December 2002
Fund size	\$296.5M
APIR code	HOW0016AU

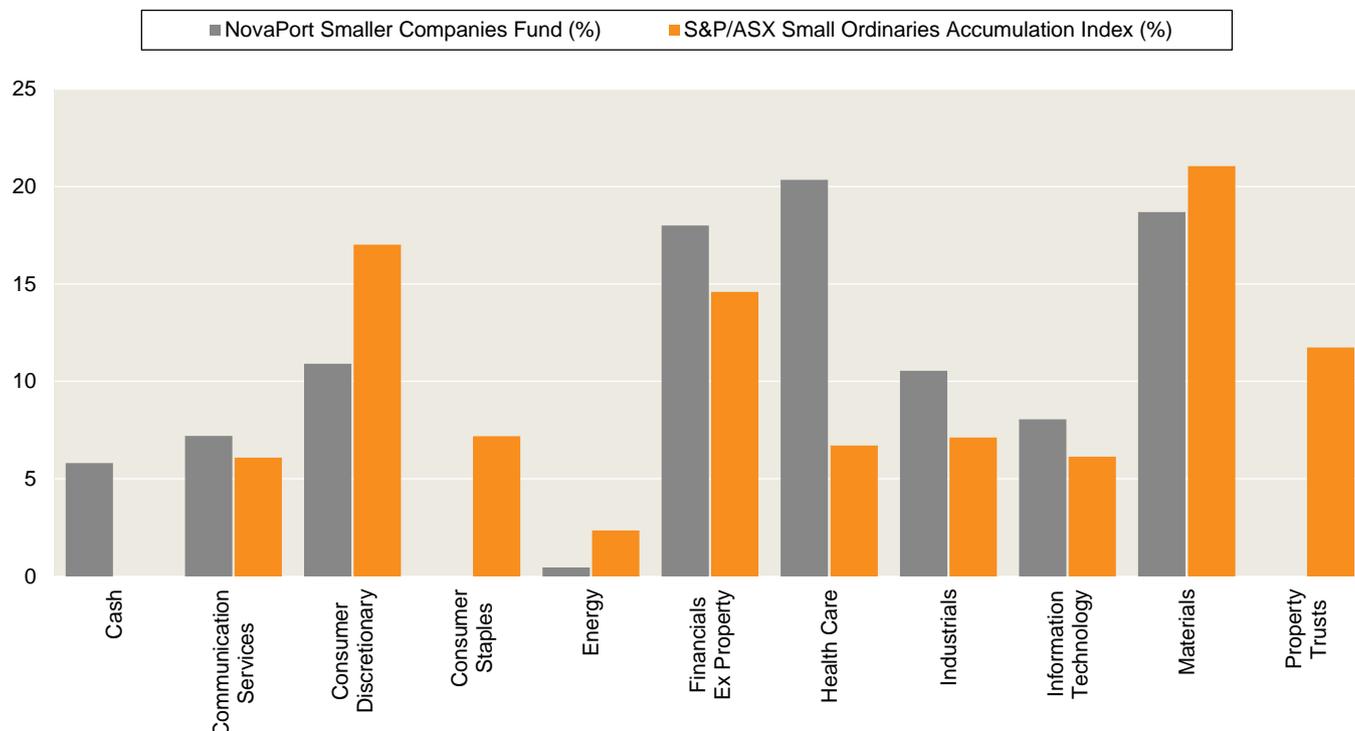
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation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

**Data Source: Fidante Partners Limited, 28 February 2021.**

<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, 28 February 2021.

## Market overview

Australian equities rallied last month following a strong earnings season amid a rapidly changing macroeconomic environment. The ASX Small Ordinaries (Accumulation) Index rose 1.6% in February, with corporate earnings and outlook statements confirming the strong economic recovery taking place.

More than half of the local smaller companies' universe delivered earnings upgrades, and economic data such as retail sales and house prices remain supportive for businesses.

Despite the solid gains, the market finished February off its intra-month highs as rising bond yields roiled global markets.

Sharp increases in the US 10-year bond yield, the key global bond benchmark, and the Australian 10-year bond yield hit high-priced growth stocks towards month end.

Rising expectations that inflation may prompt a premature end to easy monetary policy has weighed on discount-rate assumptions for highly-priced stocks.

The broad-based economic recovery has also given rise to alternative sources of earnings growth outside leading technology stocks, prompting questions around the appropriate growth premium. Commodity prices including oil, copper and nickel continued to surge, driving a strong performance for local resources stocks but also adding to concerns around inflationary pressures.

Gold continued its recent slump, dragging gold equities lower.

Small resources rose 2.2% for the month, while small industrials gained 1.4%.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.55% for February. The fund underperformed the market and delivered a -0.05% return over February.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
AUB Group Ltd	Financials Ex Property	3.28	0.44
Estia Health Ltd	Health Care	3.82	0.43
Independence Group NL	Materials	4.53	0.41

Data Source: Fidante Partners Limited, 28 February 2021.



## AUB Group Ltd

AUB is benefiting from favourable pricing conditions across the broader insurance sector. The recently released interim result also showed internally generated efficiencies and restructuring efforts have contributed to double digit revenue growth which has translated into material margin gains at the earnings level.

## Estia Health Ltd

With virus outbreaks well under control and the rollout of the vaccine expected over 2021 with aged care residents and workers given priority, occupancy levels have stabilised and are showing some growth. In addition, the release of the Royal Commission into Aged Care Quality and Safety with no materially adverse outcomes has removed a recent source of uncertainty weighing on the stock.

## Independence Group NL

Independence Group's price has declined along with other gold mining companies in line with the fall in the gold price from record level highs reached last year.

## Key detractors

Security name	Sector	Active weight %	Value added %
Fisher & Paykel Healthcare Corporation Limited	Health Care	1.71	-0.51
Zip Co Ltd	Financials Ex Property	-1.65	-0.48
GWA Group Ltd	Industrials	2.99	-0.45

Data Source: Fidante Partners Limited, 28 February 2021.

## Fisher & Paykel Healthcare Corporation Limited

After posting a record high share price in 2020 as a COVID "winner" supplying respiratory related medical devices to hospitals, recent news regarding vaccine rollouts and a sense the worst of the second and third waves globally is now past has seen some profit taking over February.

## Zip Co Ltd

Not held by the fund.

## GWA Group Ltd

Bathroom & kitchen fixtures supplier GWA Group disappointed the market with cost headwinds and delayed commercial projects impacting earnings. However strong building approval numbers and a solid order book suggest much stronger earnings for GWA in 6-12 months.

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### For further information, please contact:

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