

NovaPort Smaller Companies Fund

Monthly report - January 2022

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)	-7.87	-4.95	7.35	9.34	7.38	10.30	8.31	12.67
Growth return	-7.87	-5.57	3.00	6.15	3.80	6.06	2.42	4.84
Distribution	0.00	0.62	4.36	3.19	3.58	4.24	5.89	7.83
S&P/ASX Small Ordinaries Accumulation Index	-9.00	-7.99	6.65	10.12	9.64	6.17	2.62	7.59
Active return ³	1.12	3.04	0.70	-0.78	-2.26	4.14	5.68	5.08

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	94.82	80-100
Cash	5.18	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	4.10	0.00	4.10
Estia Health Ltd	3.89	0.19	3.70
Gold Road Resources Ltd	3.66	0.46	3.20
IPH Ltd	3.72	0.70	3.02
Universal Store Holdings Ltd	2.91	0.00	2.91

Fund facts	
Inception date	31 December 2002
Fund size	\$264.0M
APIR code	HOW0016AU

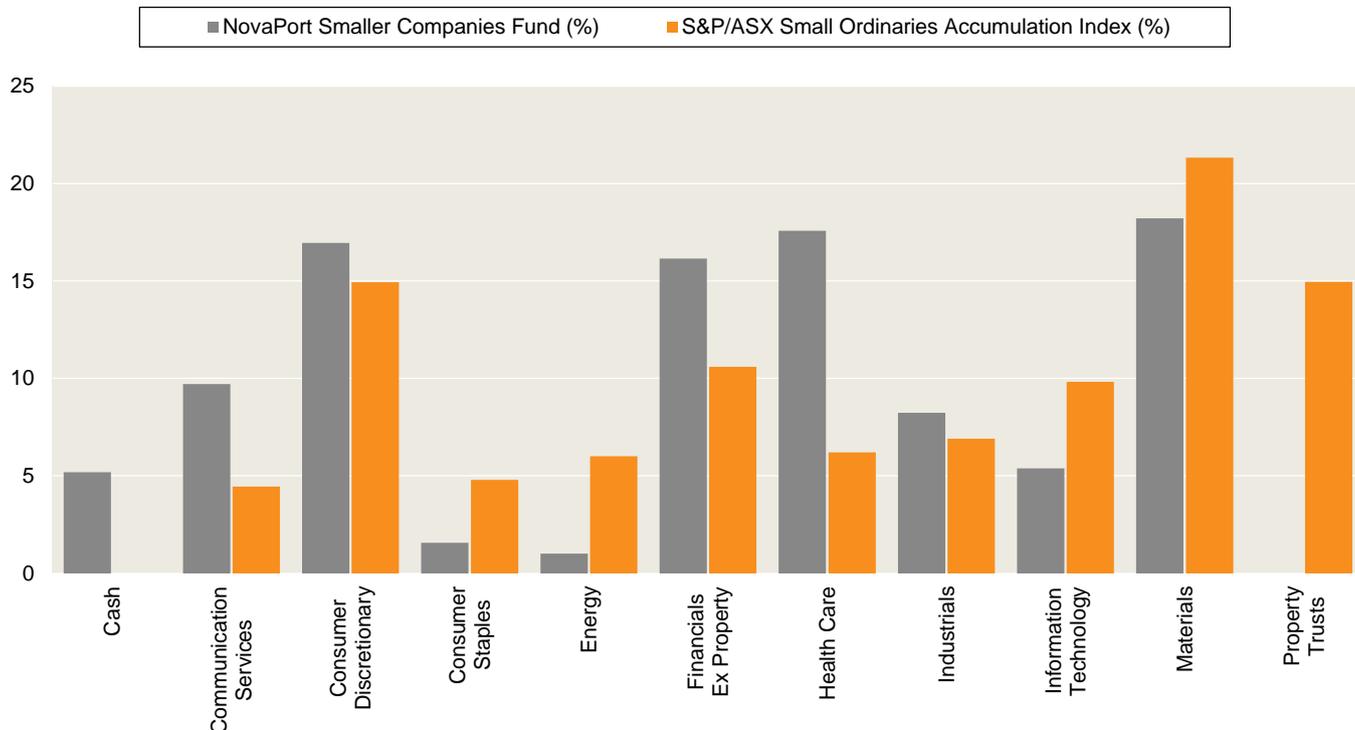
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 January 2022.

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 January 2022.

Market overview

Australian smaller companies fell sharply in January as central banks unwound ultra-loose policy to combat high inflation.

The ASX Small Ordinaries (Accumulation) Index shed 9% last month, with expensive growth and technology stocks weighing heavily on the index.

Energy stocks performed best, buoyed by strong oil and gas prices.

In the United States, expectations are mounting that the Federal Reserve will raise interest rates further and faster in response to high inflation.

US 10-year bonds climbed, and the tech-heavy NASDAQ index fell 9% as rising yields push discount rates higher, pressuring valuations.

In Australia, inflation is also showing signs of life albeit it from a much lower base than elsewhere in the world.

Expectations the Reserve Bank of Australia will soon start raising interest rates are building, with implications for domestic rate-sensitive companies and high valuation stocks.

A handful of earnings downgrades emphasised the impact COVID-19 restrictions and supply-chain bottlenecks are having on corporate costs.

Freight and logistics costs and productivity and staffing issues relating to border restrictions will be key themes in the upcoming reporting season.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -9.00% for January. The fund outperformed the market and delivered a -7.87% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Independence Group NL	Materials	2.59	0.32
Jervois Global Ltd	Materials	1.81	0.27
Credit Corp Group	Financials Ex Property	2.85	0.26

Data Source: Fidante Partners Limited, 31 January 2022.

Independence Group NL

Rising prices for nickel and lithium drove IGO's share price higher during the quarter.



Jervois Global Ltd

Jervois continues to execute its strategy to become a vertically integrated cobalt producer. Battery production growth is increasing the demand for cobalt and in particular, cobalt sourced from reliable supply chains.

Credit Corp Group

Credit Corp has offset the lull in volumes of Australian debt sales via portfolio acquisitions as well as strong organic growth from its US operations. With growth supported by expansion in lending and the US operations, a cyclical recovery in Australian purchasing volumes would likely provide upside to earnings estimates.

Key detractors

Security name	Sector	Active weight %	Value added %
BrainChip Holdings Ltd	Information Technology	-0.72	-0.37
Gold Road Resources Ltd	Materials	3.20	-0.22
Champion Iron Ltd	Materials	-0.95	-0.20

Data Source: Fidante Partners Limited, 31 January 2022.

BrainChip Holdings Ltd

Not held by the fund.

Gold Road Resources Ltd

Gold prices have remained stable, however Gold Road delivered production marginally short of market expectations. We expect operating performance to become more predictable now the Gruyere project is emerging from start-up and commissioning into steady state production.

Champion Iron Ltd

Not held by the fund.

For further information, please contact:

Fidante Partners Investor Services | 13 51 53 | email: info@fidante.com.au | website: www.fidante.com.au

This material has been prepared by NovaPort Capital Pty Ltd (ABN 88 140 833 656, AFSL 385329) NovaPort, the investment manager of the NovaPort Smaller Companies Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) 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. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante 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.

