

NovaPort Smaller Companies Fund

Monthly report - February 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)	0.45	-3.53	7.89	7.25	7.35	9.74	8.15	12.65
Growth return	0.45	-4.16	3.51	4.12	3.77	5.52	2.27	4.84
Distribution	0.00	0.63	4.38	3.13	3.58	4.22	5.88	7.80
S&P/ASX Small Ordinaries Accumulation Index	-0.01	-7.71	5.02	7.74	9.35	5.50	2.54	7.56
Active return ³	0.46	4.18	2.87	-0.49	-2.00	4.24	5.60	5.09

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	94.51	80-100
Cash	5.49	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.38	0.22	4.16
Ebos Group Ltd	3.53	0.00	3.53
Gold Road Resources Ltd	3.93	0.55	3.38
IPH Ltd	3.80	0.73	3.07
EQT Holdings Limited	2.95	0.00	2.95

Fund facts	
Inception date	31 December 2002
Fund size	\$262.0M
APIR code	HOW0016AU

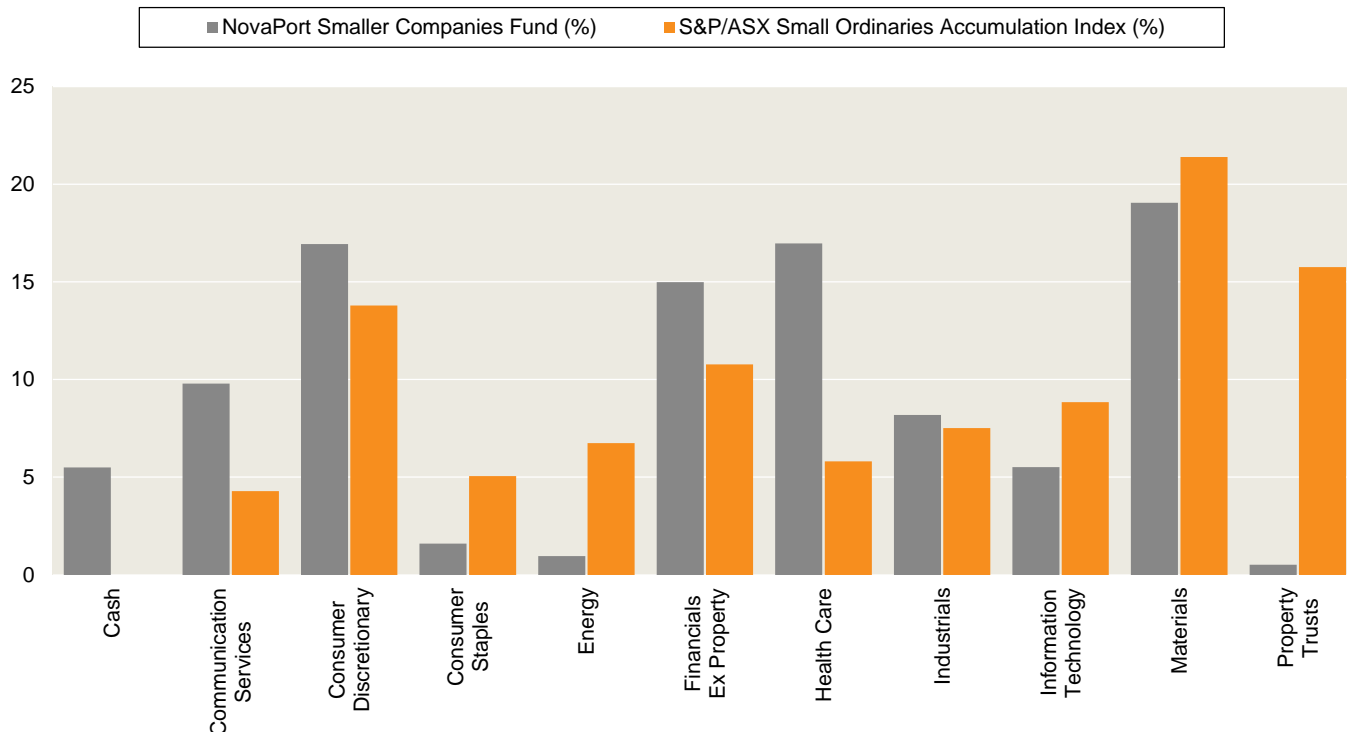
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 28 February 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, 28 February 2022.

Market overview

Australian smaller companies were flat last month amid firming expectations of higher global interest rates and the outbreak of war in Ukraine.

The ASX Small Ordinaries (Accumulation) Index was unchanged in February following a sharp January selloff, although performance within the benchmark varied widely.

Highly priced technology stocks, particularly loss-makers and concept stocks, underperformed ahead of looming interest rate hikes.

Valuations for expensive long-duration companies are highly sensitive to rising discount rates. The US Federal Reserve is expected to lead the world out of extreme monetary policy settings in March.

Discretionary retailers were also weak due to spiking supply chain costs, some large inventory builds, and ongoing questions about elevated sales levels.

The February reporting season was mixed with a relatively solid earnings performance overshadowed by uncertain outlooks and macro events.

Rising costs for labour and a range of goods and services were a large reporting season theme, furthering expectations for rising and sustained inflation.

However, the major macro event was Russia's invasion of Ukraine, which has exacerbated pressure on stretched supply chains and ignited sharp price spikes across a range of commodities, notably oil and gas and base metals.

Energy stocks were very strong last month as a result as were miners and gold producers.

Small resources stocks gained 7.9% in February whilst small industrials fell 2%.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.01% for February. The fund outperformed the market and delivered a +0.45% return over February.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Nufarm Limited	Materials	2.18	0.49
Estia Health Ltd	Health Care	4.16	0.48
Gold Road Resources Ltd	Materials	3.38	0.45

Data Source: Fidante Partners Limited, 28 February 2022.



Nufarm Limited

Nufarm updated the market on its growth ambitions in crop protection and seeds. The company outlined an ambitious agenda which positively surprised the market.

Estia Health Ltd

Estia Health reported earnings impacted by the COVID-19 pandemic, however highlighted positive changes to regulations which should assist improving occupancy. With a Federal budget imminent, to be followed by an election, we think it is likely that both sides of the political divide will seek to provide the funding suggested by the Aged Care Royal Commission.

Gold Road Resources Ltd

Gold Road's share price showed some recovery following a period of underperformance. The flagship Gruyere mine is emerging as a source of cash flow and the company continues to invest in new projects, some with potential to be integrated into established operations.

Key detractors

Security name	Sector	Active weight %	Value added %
Imricor Medical Systems Inc	Health Care	1.16	-0.31
Nanosonic Limited	Health Care	1.52	-0.29
Nick Scali Ltd	Consumer Discretionary	1.93	-0.27

Data Source: Fidante Partners Limited, 28 February 2022.

Imricor Medical Systems Inc

Sales activity across Europe has ramped up as the Omicron wave subsides and hospitals can re-focus on the usual capex and investing programs which have been sidelined for almost two years. Pleasingly, Imricor has recently demonstrated some success in signing several new sites for its unique MRI guided solution for atrial fibrillation corrective surgery. However, as a relatively early-stage medical devices company it has been caught up in the recent global sell down of technology companies.

Nanosonic Limited

Apart from market related weakness that has seen technology companies hit especially hard, Nanosonic's recent price weakness is attributable to a decision to assume direct to customer selling responsibilities which to this point have been managed by GE. While some short term weakness in revenue during the transition is expected, we believe longer term the company is not only higher margin under a direct to customer model but will have total ownership of the customer which adds to its competitive positioning.

Nick Scali Ltd

Furniture retailer Nick Scali reported a very strong result in February but an uncertain supply chain, rising costs, and market concern over the longevity of elevated retail sales impacted the share price. Nick Scali remains very well-funded and well-managed. The company has ongoing store rollout opportunities, a nascent and growing online presence, and synergies to unlock from the recent Plush acquisition.

For further information, please contact:

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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.

