

NovaPort Smaller Companies Fund

Monthly report - August 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)	0.41	-3.06	-13.26	1.62	4.27	8.08	6.72	11.71
Growth return	0.41	-10.28	-20.76	-3.09	-0.52	3.23	1.89	3.74
Distribution	0.00	7.21	7.50	4.70	4.80	4.85	4.83	7.97
S&P/ASX Small Ordinaries Accumulation Index	0.58	-2.59	-14.66	4.09	6.85	6.29	1.49	7.02
Active return ³	-0.16	-0.47	1.41	-2.48	-2.58	1.79	5.23	4.69

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	87.36	80-100
Cash	12.64	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
IPH Ltd	5.30	0.90	4.40
EQT Holdings Limited	4.11	0.00	4.11
Data#3 Ltd	4.51	0.41	4.10
Ebos Group Ltd	4.00	0.00	4.00
Estia Health Ltd	4.15	0.21	3.94

Fund facts	
Inception date	31 December 2002
Fund size	\$216.1M
APIR code	HOW0016AU

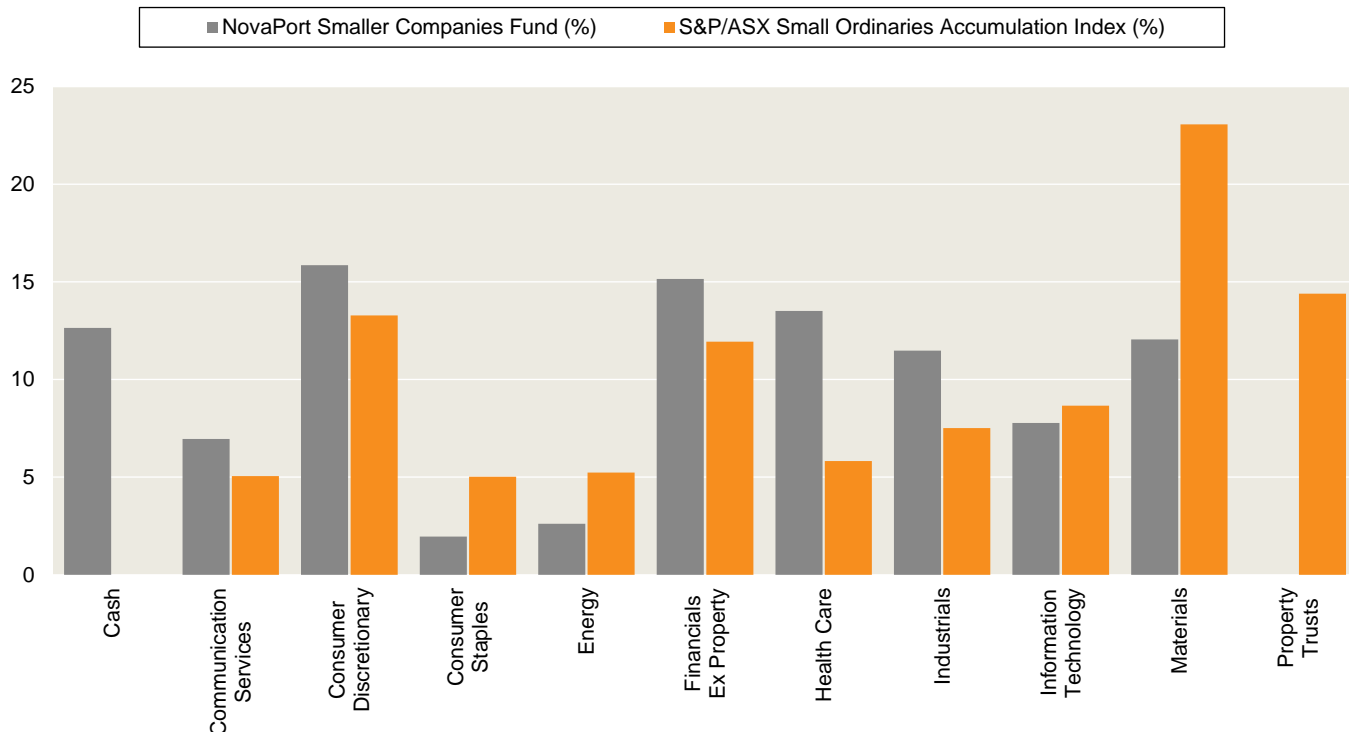
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 August 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 August 2022.

Market overview

Australian equities inched higher last month as a robust corporate earnings season demonstrated ongoing momentum in the local economy.

The ASX Small Ordinaries (Accumulation) Index rose 0.6% in August, with small resources jumping 5.9% and small industrials shedding 1%.

The local reporting season proved better than feared, particularly for economically sensitive businesses like discretionary retailers.

However, the combination of rapidly rising interest rates, high inflation, and deteriorating economic conditions in Europe, the US and China, suggest tougher times ahead.

Company outlook statements were unsurprisingly cautious, and analysts downgraded forward earnings expectations despite current buoyant conditions.

The local market eased sharply late in the month after the US Federal Reserve committed to hiking interest rates until inflation returns to much lower levels.

The Fed's commentary halted the recent sharp rally in global equity markets and pushed investors to expect higher rates for a longer duration.

Among local smaller companies the best performers were battery metals miners and energy stocks, while technology and healthcare lagged.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.58% for August. The fund underperformed the market and delivered a +0.41% return over August.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
IPH Ltd	Industrials	4.40	0.45
Emeco Holdings Ltd	Industrials	2.24	0.43
AUB Group Ltd	Financials Ex Property	3.26	0.40

Data Source: Fidante Partners Limited, 31 August 2022.



IPH Ltd

IPH announced their acquisition of Canada's leading IP Firm, Smart & Biggar at their results. The acquisition firmly establishes IPH's presence in Canada and progresses their strategy in becoming the leading IP services firm in secondary IP markets. IPH also grew customer referrals into their Asian practices, demonstrating their value proposition as a filer of choice in the region and underpinning future earnings growth for the company.

Emeco Holdings Ltd

Heavy fleet provider Emeco performed well after a solid annual result and improving outlook underscored its cheap valuation.

AUB Group Ltd

AUB Group reported robust earnings and guided to healthy earnings growth in the year ahead. The company is benefiting from the annualisation or prior acquisitions as well as continued inflation of insurance premiums. Recent acquisitions have sought to generate synergies from AUB's distribution capability via greater integration into underwriting channels.

Key detractors

Security name	Sector	Active weight %	Value added %
Experience Co Ltd	Consumer Discretionary	1.63	-0.52
Gold Road Resources Ltd	Materials	3.63	-0.37
Mystate Ltd	Financials Ex Property	1.55	-0.36

Data Source: Fidante Partners Limited, 31 August 2022.

Experience Co Ltd

Management have been able to effectively navigate a difficult period for all tourism and leisure exposed companies. Poor weather over FY22, labour shortages and some concern on the consumer in the short term has negatively impacted sentiment. However, with a strong balance sheet and strategically beneficial acquisitions to diversify the company's revenue and geographic base, the medium term outlook is favourable as international visitations lift from a low base.

Gold Road Resources Ltd

While the decline in the A\$ gold price has been mitigated by favourable currency moves Gold Road, like many ASX listed gold miners, saw its share price decline over August with supply chain and inflation related issues cited as key drivers. However, the company has seen a solid share price recovery so far in September coinciding with recent M&A activity to expand its mining operations.

Mystate Ltd

Mystate invested heavily in growth during the last 12 months. The increased advertising expenditure weighed on earnings, however the growth in market share will contribute to future earnings.

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 385 329 (NovaPort), the investment manager of the NovaPort Smaller Companies Fund ARSN 094 601 475 (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) 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. NovaPort and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, NovaPort and Fidante Partners 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.

