

NovaPort Smaller Companies Fund

Monthly report - October 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)	4.78	-0.89	-15.11	-0.29	3.39	7.28	5.84	11.53
Growth return	4.78	-1.08	-22.35	-4.94	-1.35	2.50	1.26	3.63
Distribution	0.00	0.19	7.23	4.65	4.73	4.78	4.58	7.91
S&P/ASX Small Ordinaries Accumulation Index	6.46	-4.91	-18.31	1.46	4.16	5.10	0.46	6.65
Active return ³	-1.68	4.03	3.20	-1.75	-0.77	2.18	5.38	4.88

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	91.30	80-100
Cash	8.70	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.88	0.24	4.64
IPH Ltd	5.39	0.96	4.43
Data#3 Ltd	4.82	0.47	4.35
EQT Holdings Limited	4.23	0.00	4.23
Ebos Group Ltd	4.14	0.00	4.14

Fund facts	
Inception date	31 December 2002
Fund size	\$207.2M
APIR code	HOW0016AU

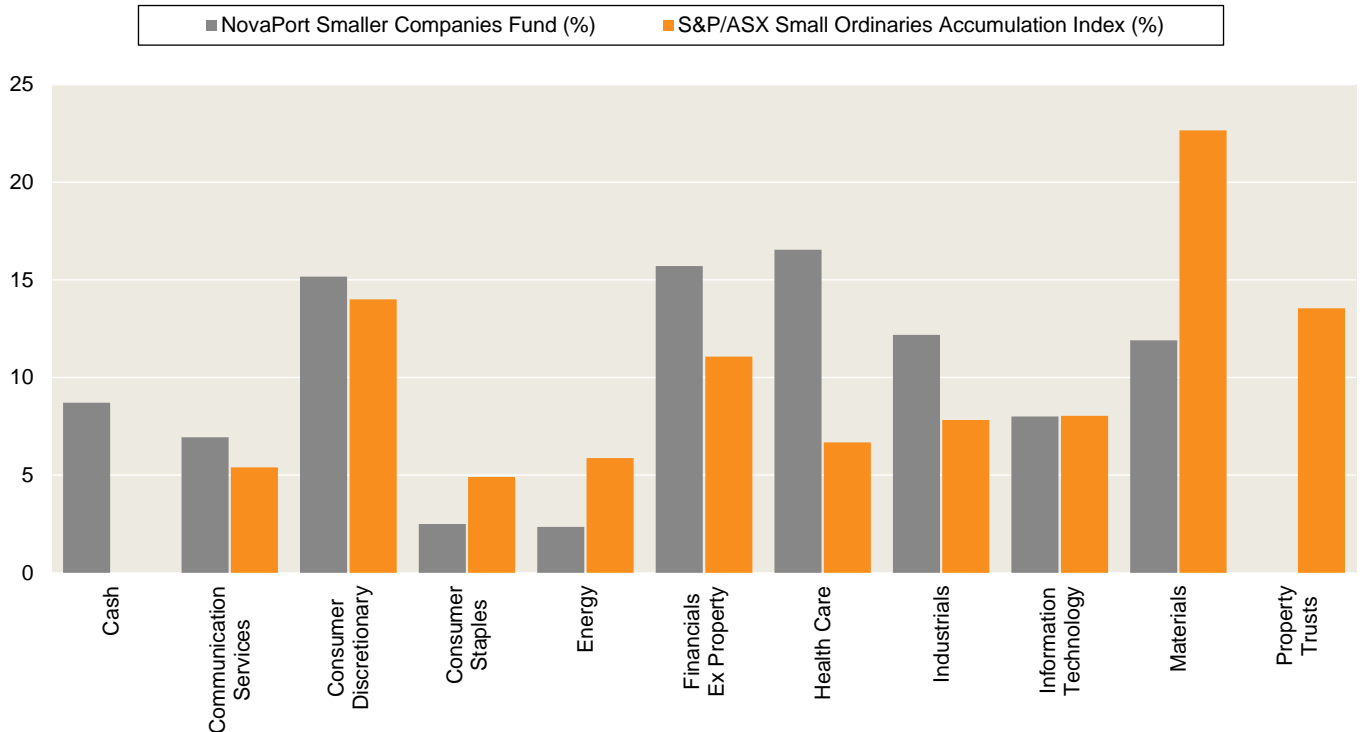
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

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

Market overview

Sustained economic momentum and a potential slowdown in central bank tightening drove a strong market rally last month.

The ASX Small Ordinaries (Accumulation) Index rose 6.5% in October, with small industrials (+7.4%) outperforming small resources (+3.4%).

Amid a sharp global rate hiking cycle, the Reserve Bank of Australia and the Bank of Canada both opted for smaller rate hikes, fuelling speculation that central bank policy is shifting to support financial markets.

Event-driven and macro investors have been looking for this central bank "pivot" as a timing signal for the bottom of the bear market, driving aggressive rallies.

Regardless of whether inflation has peaked, prices are still rising at multi-decade highs in many major economies, and the level of interest rates remains below inflation.

Moreover, economic strength appears inconsistent with price stability, as evidenced by robust consumer spending and very low rates of unemployment.

Locally, trading updates at Annual General Meetings reflect continued strength in consumer-facing businesses and ongoing labour shortages despite aggressive RBA rate hikes.

However, cracks are starting to appear with some "COVID-winners" reporting large falls in sales as well as more general margin pressure in the face of energy, freight, and labour cost inflation.

US September quarter earnings were also relatively buoyant, although some major companies, such as Amazon and Facebook, reported large misses, raising questions about the outlook.

Resources stocks remain volatile with slowing global growth potentially weighing on commodities, offset by energy inflation and intensive minerals demand from decarbonisation.

China's persistent "zero COVID" policy remains a key handbrake on growth and commodity demand.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +6.46% for October. The fund underperformed the market and delivered a +4.78% return over October.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Estia Health Ltd	Health Care	4.64	0.41
NIB Holdings Ltd/Australia	Financials Ex Property	-1.35	0.26
Regis Healthcare Ltd	Health Care	2.19	0.25

Data Source: Fidante Partners Limited, 31 October 2022.

Estia Health Ltd

Estia has benefited from improving occupancy, reduced COVID-19 costs and greater certainty around future funding arrangements.

NIB Holdings Ltd/Australia

Not held by the fund.

Regis Healthcare Ltd

Regis has benefited from improving occupancy, reduced COVID-19 costs and greater certainty around future funding arrangements.

Key detractors

Security name	Sector	Active weight %	Value added %
Baby Bunting Group Ltd	Consumer Discretionary	1.66	-0.75
Cooper Energy Limited	Energy	1.47	-0.45
Emeco Holdings Ltd	Industrials	2.01	-0.26

Data Source: Fidante Partners Limited, 31 October 2022.

Baby Bunting Group Ltd

Baby Bunting disappointed the market with last month's AGM update highlighting a hit to profitability not just on inflationary pressures (including fuel and freight) and FX but also on a higher than expected level of loyalty point redemptions which adversely impacted margins.

Cooper Energy Limited

Cooper Energy is working at steady but slow progress in raising production from its Sole Gas Plant as well as delivering a step change in production by developing recent discoveries via its Otway Basin infrastructure. The share price reacted to signals that the Federal Government might consider intervening to cap prices in the East Coast Gas market.

Emeco Holdings Ltd

Emeco was weak last month after ceasing work for a small customer due to overdue payments. The group's balance sheet is strong, and the stock remains cheap relative to its earnings, cashflow, and asset backing.

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 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.

