

NovaPort Smaller Companies Fund

Monthly report - January 2023

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)	3.17	3.77	-7.32	-0.49	3.43	6.58	6.81	11.58
Growth return	3.17	2.77	-15.48	-5.17	-1.30	1.87	2.26	3.72
Distribution	0.00	1.00	8.16	4.68	4.73	4.71	4.55	7.86
S&P/ASX Small Ordinaries Accumulation Index	6.56	7.64	-4.44	2.41	4.35	5.37	2.42	6.96
Active return ³	-3.39	-3.86	-2.88	-2.90	-0.92	1.21	4.39	4.63

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	91.95	80-100
Cash	8.05	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	4.32	0.00	4.32
EQT Holdings Limited	4.18	0.00	4.18
Estia Health Ltd	4.33	0.20	4.14
Invocare Limited	4.27	0.64	3.62
IPH Ltd	4.26	0.79	3.47

Fund facts	
Inception date	31 December 2002
Fund size	\$205.3M
APIR code	HOW0016AU

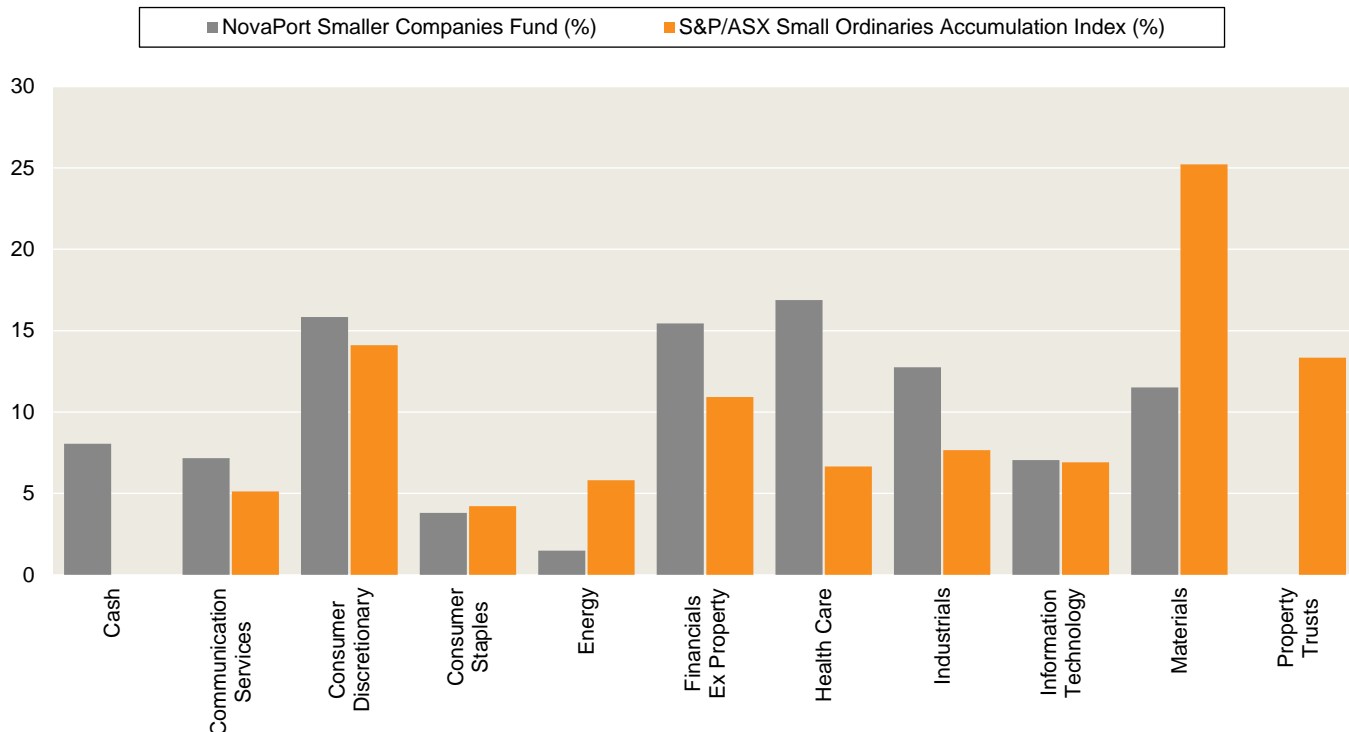
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 January 2023.

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 2023.

Market overview

Equity markets surged last month as moderating inflation fuels hopes that the global rate hiking cycle is ending.

The ASX Small Ordinaries (Accumulation) Index rose 6.6% in January, mirroring strong gains across other major equity markets, most notably the tech-heavy NASDAQ which rallied almost 11%.

Signs that US inflation has peaked have prompted bets on a near-term pause in US interest rate rises and hopes that rate cuts may soon follow.

Widespread expectations of a US and European recession have dissipated somewhat, with growing optimism that central banks may successfully engineer a 'soft landing'.

However, there is a tension between very strong employment and high confidence in falling prices, and while inflation appears to have peaked in the US and Europe, price pressures remain elevated.

Domestically, inflation is accelerating, and the Australian consumer has proven resilient in the face of aggressive interest rate hikes by the Reserve Bank.

The upcoming February reporting season will give investors an indication of the outlook and earnings trajectory for corporate Australia.

Christmas trading is expected to have been robust, but there are some early signs of pressure on the retail sector and housing markets.

All major small company sectors were higher over the month, with small resources (+7.3%) slightly stronger than small industrials (+6.3%).

China's reopening remains a key tailwind for our market, especially for resources, although there are some doubts about the strength of China's economy.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +6.56% for January. The fund underperformed the market and delivered a +3.17% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Experience Co Ltd	Consumer Discretionary	2.28	0.30
New Hope Corporation Ltd	Energy	-1.28	0.21
Domain Holdings Australia Ltd	Communication Services	1.39	0.14



Data Source: Fidante Partners Limited, 31 January 2023.

Experience Co Ltd

While Experience Co's recent share price strength partly reflects continued solid trading conditions for travel and leisure related services, a more substantive driver would likely be China's unexpected pivot to re-opening its economy and eventually borders rather than manage COVID via lockdowns. This has brought forward the expected timing for inbound tourists from China.

New Hope Corporation Ltd

Not held by the fund.

Domain Holdings Australia Ltd

Domain Holdings share price recovered during January as investors changed their positioning towards growth and aggressively bought stocks which had underperformed in 2022. Domain's real estate platform is a sustainable business with continued growth opportunities; however over the coming six months as it faces a high hurdle to beat the strong listings enjoyed this time last year.

Key detractors

Security name	Sector	Active weight %	Value added %
Ebos Group Ltd	Health Care	4.32	-0.42
Spark New Zealand Ltd	Communication Services	2.78	-0.40
Estia Health Ltd	Health Care	4.14	-0.39

Data Source: Fidante Partners Limited, 31 January 2023.

Ebos Group Ltd

Having delivered strong share price performance over the closing months of 2022, EBOS' share price consolidated somewhat during January.

Spark New Zealand Ltd

Spark New Zealand's share price underperformed the market during the month. The company enjoys robust and defensive earnings streams associated with its dominant position in the New Zealand mobile communications market; however last month investors overlooked this as they sought to increase their exposure to higher risk.

Estia Health Ltd

Increased supply of shares following Seven Group's divestment of its holding weighed on Estia's share price during January. The coming result release will provide greater clarity about the impact of the Omicron Wave on occupancy and the transition to the new government funding model.

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.

