

NovaPort Smaller Companies Fund

Monthly report - May 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)	-4.02	1.81	-1.36	5.46	3.21	6.09	7.12	11.35
Growth return	-4.02	1.33	-10.18	0.51	-1.57	1.38	2.53	3.60
Distribution	0.00	0.49	8.82	4.96	4.78	4.71	4.58	7.75
S&P/ASX Small Ordinaries Accumulation Index	-3.26	-1.29	-5.77	4.45	2.46	6.01	1.66	6.58
Active return ³	-0.77	3.10	4.41	1.01	0.75	0.07	5.46	4.77

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	93.63	80-100
Cash	6.37	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.65	0.25	4.40
EQT Holdings Limited	4.27	0.00	4.27
Technology One Limited	3.93	0.00	3.93
Monash IVF Group Limited	3.91	0.00	3.91
Ebos Group Ltd	4.17	0.33	3.84

Fund facts	
Inception date	31 December 2002
Fund size	\$189.0M
APIR code	HOW0016AU

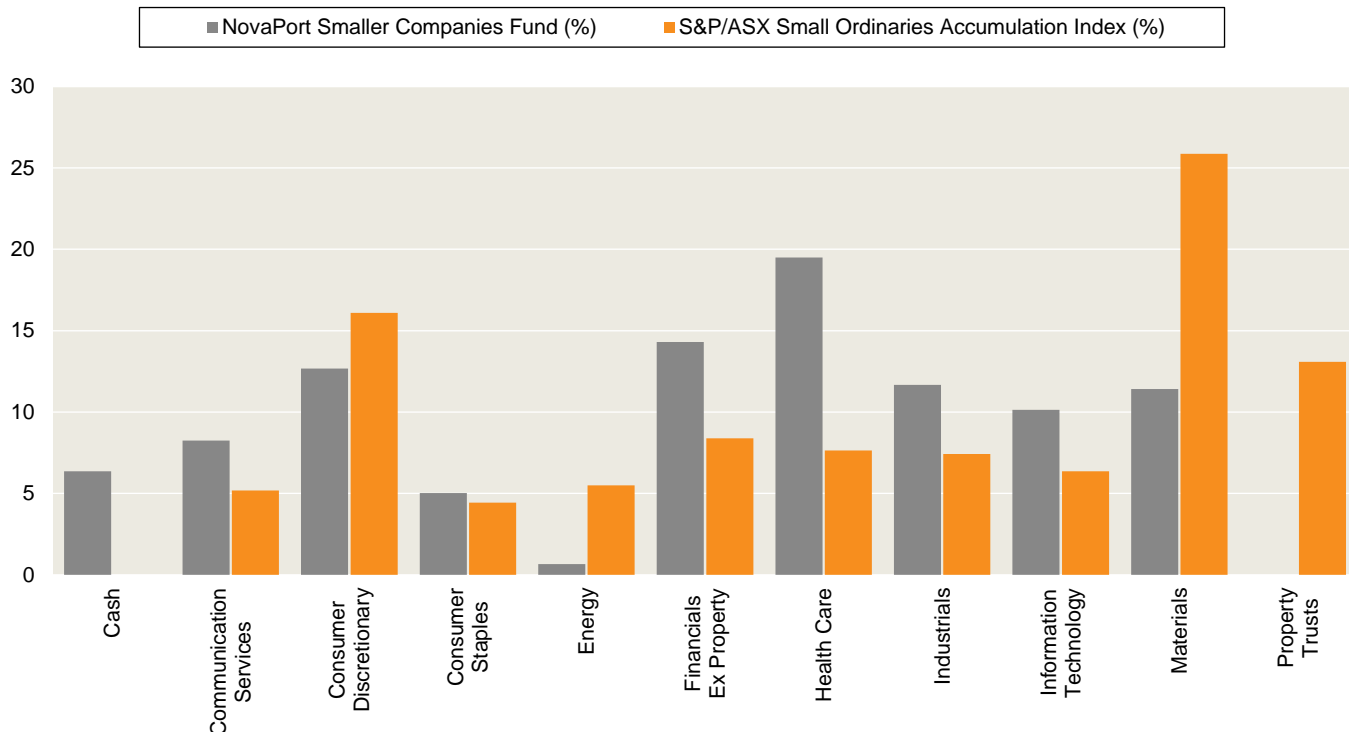
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 May 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 May 2023.

Market overview

Australian shares sold off last month amid domestic consumer weakness and a sputtering Chinese economy weighing on commodities. The ASX Small Ordinaries (Accumulation) Index shed 3.3% in May, with signs the Australian economy is softening heading into the final month of the fiscal year. A handful of consumer-facing companies, primarily retailers, issued profit warnings that highlighted a sudden deterioration in trading conditions. At the same time key economic indicators such as building approvals remain very soft. This confluence of datapoints suggests that the Reserve Bank of Australia's rapid interest rate hikes are now impacting the economy, but stubbornly high inflation prompted the RBA to hike again in May.

Similarly in the United States, the consumer and rate-sensitive sectors are showing cracks, but the US Federal Reserve also hiked last month due to ongoing price pressures. Bizarrely, a strong update from US technology giant NVIDIA drove a frenetic rally in a range of (largely unrelated) ASX-listed technology companies late in the month. This tech surge cushioned the small industrials index, which fell 1.7%. Small resources were much weaker plunging 7.1%. Softening global economic conditions, most notably in China, weighed on a broad spectrum of commodities including oil, coal, copper and nickel.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.26% for May. The fund underperformed the market and delivered a -4.02% return over May.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Technology One Limited	Information Technology	3.93	0.41
Fletcher Building Limited	Industrials	2.43	0.28
Regis Healthcare Ltd	Health Care	3.51	0.26

Data Source: Fidante Partners Limited, 31 May 2023.

Technology One Limited

Technology One released a positive interim result during the month highlighting both the growth outlook for its contemporary, cloud based ERP software as well as the appeal of its relative earnings resilience as the broader economy shows signs of faltering as higher interest rates take a toll on consumer sentiment.



Fletcher Building Limited

Fletcher Building rallied from oversold levels as investors firmed in their conviction that the RBNZ was near the top of its hiking cycle. Surging migration into Australia and New Zealand, as well as relatively resilient house prices and non-residential construction, are also supportive for the company.

Regis Healthcare Ltd

Regis Healthcare's share price rallied following corporate interest in listed Aged Care stocks. The Aged Care sector also benefited from increased pricing announced by the government to fund the Aged Care workforce wage increases. While this funding will substantially accrue to staff, Aged Care operators stand to benefit if higher wages can address the labour shortages which has forced the sector to depend on expensive temporary labour hire.

Key detractors

Security name	Sector	Active weight %	Value added %
Universal Store Holdings Ltd	Consumer Discretionary	0.35	-0.41
oOh!media Ltd	Communication Services	1.48	-0.33
Experience Co Ltd	Consumer Discretionary	2.16	-0.30

Data Source: Fidante Partners Limited, 31 May 2023.

Universal Store Holdings Ltd

Released a trading update which showed a material slowdown in customer activity over April and May. Given the commentary at the February result release was positive regarding trading to the end of February, the extent of the sudden decline was a surprise. While its core demographic of younger customer is benefitting from low unemployment, solid wage increases and low mortgage exposure, the offset of higher rent and broader inflationary pressures have had a bigger impact than expected.

oOh!media Ltd

Released a trading update that was below expectations in early May highlighting a deterioration in advertising spend since late February. While the outlook is looking more challenging as cracks in the economy widen, we recently initiated a position for the fund based on the appeal of outdoor advertising versus free to air platforms under structural pressure as well as the tailwind of continued digitisation of billboards.

Experience Co Ltd

Experience Co issued a positive trading update with continued momentum underpinned by the post COVID re-opening as consumers switch from buying goods in lockdown to seeking travel and adventure experiences. However, a weaker share price likely reflects some profit taking post a 30% climb since October last year as well as increasing concerns regarding the economic outlook.

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.

