

# NovaPort Smaller Companies Fund

## Monthly report - August 2023

Performance <sup>1</sup>	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	2.56	6.83	8.70	6.47	3.45	5.81	7.99	11.56
Growth return	2.56	5.45	5.55	1.09	-1.06	0.99	3.74	3.82
Distribution	0.00	1.38	3.15	5.39	4.51	4.83	4.24	7.74
S&P/ASX Small Ordinaries Accumulation Index	-1.31	2.22	-1.12	3.00	2.40	5.74	2.88	6.61
Active return <sup>3</sup>	3.86	4.61	9.83	3.47	1.05	0.08	5.11	4.95

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 31 December 2002

<sup>3</sup> 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	94.77	80-100
Cash	5.23	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Monash IVF Group Limited	4.46	0.00	4.46
EQT Holdings Limited	4.16	0.00	4.16
Regis Healthcare Ltd	4.15	0.00	4.15
Gold Road Resources Ltd	4.53	0.82	3.70
AUB Group Ltd	4.72	1.23	3.49

Fund facts	
Inception date	31 December 2002
Fund size	\$180.3M
APIR code	HOW0016AU

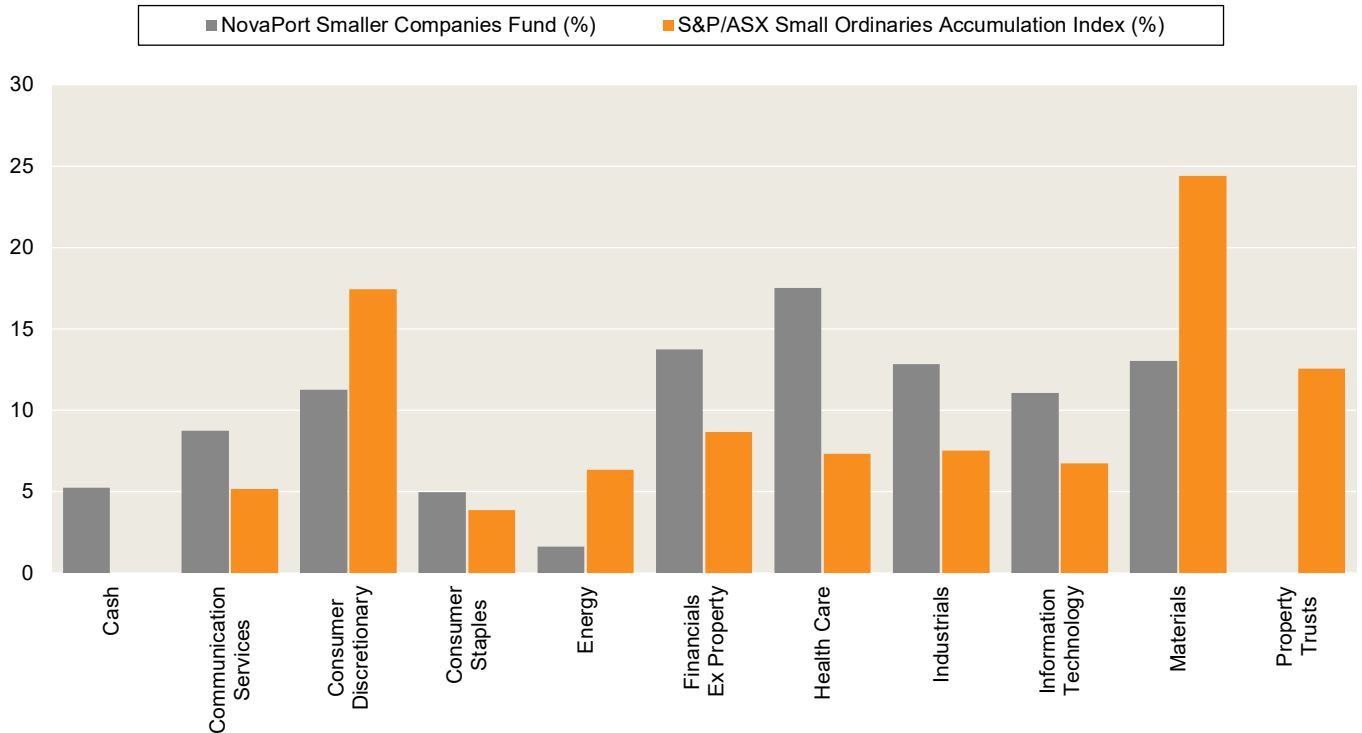
Fees	
Entry fee	Nil
2022-2023 ICR	0.90%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation 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 2023.**

<sup>1</sup> 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.

<sup>2</sup> The performance fee was introduced from 1 October 2011

## Sector exposure



Data Source: Fidante Partners Limited, 31 August 2023.

## Market overview

A solid reporting season failed to prevent market weakness last month as cyclical and consumer facing stocks defied bearish expectations. The ASX Small Ordinaries (Accumulation) Index fell 1.3% in August, lagging large caps (-0.7%), while small resources (-0.9%) outperformed small industrials (-1.5%). Company results were generally sound, with a roughly even split between earnings beats, disappointing misses, and those meeting market expectations. Revenues were relatively robust, but aggregate margins appear to have peaked due to ongoing cost pressures amid easing demand and moderating pricing power.

Consumer discretionary stocks outperformed as investor expectations proved too negative relative to the slowing, but still resilient, Australian consumer. Technology and energy stocks also rallied, while financials, healthcare, and real estate trusts were weakest.

Both The Reserve Bank of Australia and the Reserve Bank of New Zealand held rates steady, while soft US inflation data presaged placid commentary by the US Fed Chair Jerome Powell. This reinforced the view that interest rates are at, or very close to, peak levels. However, inflation remains elevated and is projected to sit above target for some time, implying a prolonged period with steady rates but no rate cuts.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -1.31% for August. The fund outperformed the market and delivered a +2.56% return over August.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Audinate Group Ltd	Information Technology	1.49	0.51
Regis Healthcare Ltd	Health Care	4.15	0.51
Estia Health Ltd	Health Care	3.41	0.48

Data Source: Fidante Partners Limited, 31 August 2023.

### Audinate Group Ltd

Audinate reported continued growth in its Dante Audio platform. Supply chain disruptions have eased, assisted by the launch of new products. Audinate continues to invest in Video networking, which provides a meaningful new growth opportunity.



## Regis Healthcare Ltd

Regis Healthcare reported encouraging results for FY2023. Occupancy at its Aged Care homes is recovering as are margins, assisted by changes to the Aged Care funding model.

## Estia Health Ltd

Bain Capital's bid for Estia Health has progressed with the parties agreeing to a Scheme Implementation Agreement due to be voted upon at a shareholder's meeting in November 2023.

## Key detractors

Security name	Sector	Active weight %	Value added %
Fletcher Building Limited	Industrials	2.47	-0.38
Nanosonic Limited	Health Care	2.34	-0.28
Premier Investments Limited	Consumer Discretionary	-1.11	-0.17

Data Source: Fidante Partners Limited, 31 August 2023.

## Fletcher Building Limited

Fletcher Building reported a solid earnings result that was marred by provisions against a troubled project and the potential for further liabilities relating to pipe products. The building materials company remains attractively priced relative to its market positions and earnings power.

## Nanosonic Limited

While growth and profitability metrics for its core high-level disinfection product continue to look positive, if not exceed expectations, the share price was adversely impacted by further delays in the FDA approval process for its new product, Coris, which is targeting the endoscope cleaning and disinfection market.

## Premier Investments Limited

Not held by the fund.

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### For further information, please contact:

**Fidante Partners Investor Services** | 13 51 53 | email: [info@fidante.com.au](mailto:info@fidante.com.au) | website: [www.fidante.com.au](http://www.fidante.com.au)

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