

# NovaPort Smaller Companies Fund

## Monthly report - May 2022

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)	-8.82	-7.07	-4.95	4.30	5.30	9.30	6.85	12.05
Growth return	-8.82	-7.38	-8.93	1.24	1.76	5.21	1.34	4.37
Distribution	0.00	0.30	3.98	3.05	3.55	4.09	5.51	7.68
S&P/ASX Small Ordinaries Accumulation Index	-7.01	-3.58	-4.56	5.50	8.49	6.33	1.33	7.25
Active return <sup>3</sup>	-1.81	-3.49	-0.39	-1.21	-3.19	2.97	5.52	4.79

**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	92.84	80-100
Cash	7.16	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Estia Health Ltd	4.70	0.21	4.49
Ebos Group Ltd	3.84	0.00	3.84
Gold Road Resources Ltd	4.25	0.48	3.77
Regis Healthcare Ltd	3.53	0.00	3.53
EQT Holdings Limited	3.37	0.00	3.37

Fund facts	
Inception date	31 December 2002
Fund size	\$238.5M
APIR code	HOW0016AU

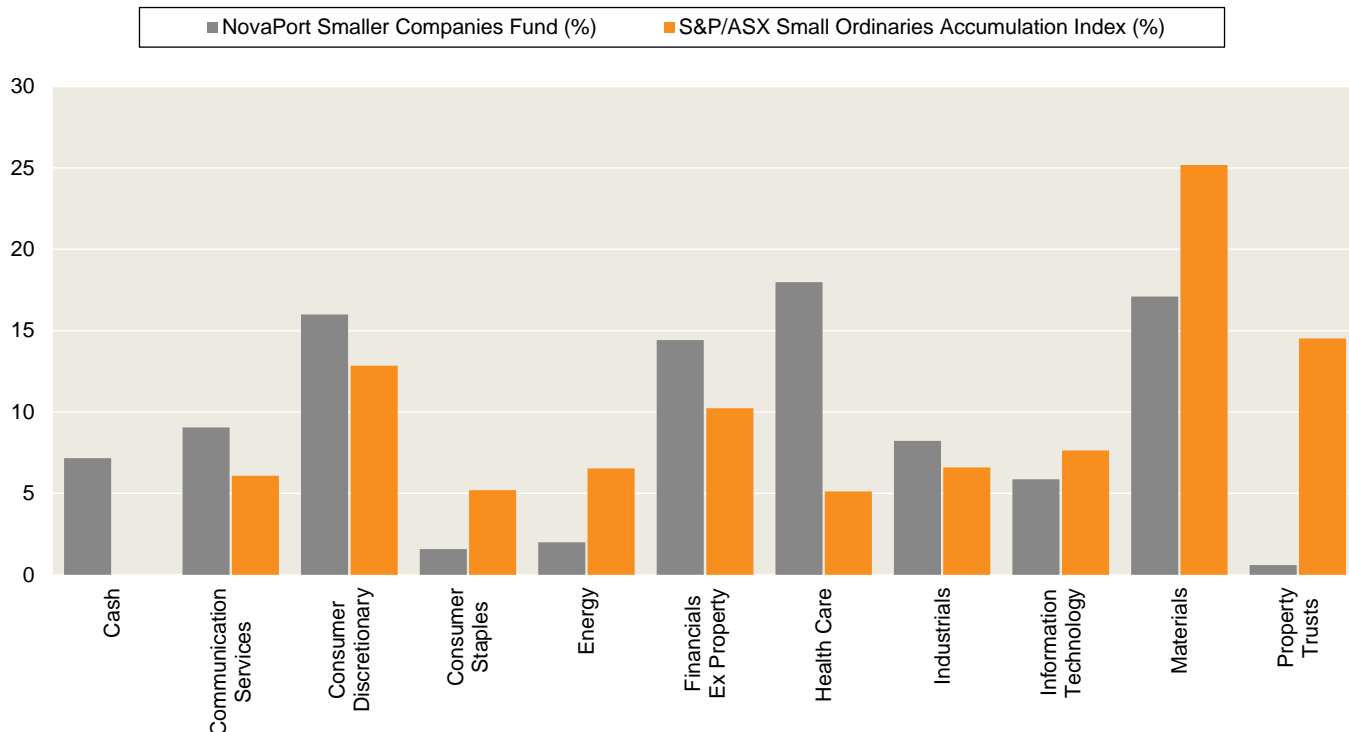
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation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

**Data Source: Fidante Partners Limited, 31 May 2022.**

<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 May 2022.

## Market overview

Australian equities fell sharply in May as rising interest rates pressure valuations and crimp the outlook for consumer demand. The ASX Small Ordinaries (Accumulation) Index shed 7% last month, with small industrials down 7.4% and small resources falling 6.1%. The Reserve Bank of Australia kicked off its rate hike cycle and indicated its willingness to follow the US Federal Reserve with an aggressive tightening cycle. Elevated high house prices and high levels of household debt mean that higher rates are likely to impact the Australian economy quickly. Ongoing high levels of inflation globally are also impacting consumers, with high petrol prices and rising costs for essentials impacting household budgets. As a result, homebuilders and consumer facing sectors like retail and media were under pressure in Australia, as they have been in the United States. High multiple stocks and businesses with minimal earnings or cashflows continued to be sharply sold down as markets come to grips with higher interest rates. Energy remained a bright spot and was the best performing sector, buoyed by high prices amid the ongoing war in Ukraine.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -7.01% for May. The fund underperformed the market and delivered a -8.82% return over May.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	3.53	0.42
IPH Ltd	Industrials	3.29	0.30
EQT Holdings Limited	Financials Ex Property	3.37	0.28

Data Source: Fidante Partners Limited, 31 May 2022.

### Regis Healthcare Ltd

Regis Healthcare updated the market during the month, revealing considerable disruption to its operations caused by managing the effects of the Omicron variant. Nonetheless; occupancy has been resilient, the newly elected government has committed to improving outcomes in Aged Care and the transition to an updated funding protocol (post royal commission) promises to better account for the activity necessary to provide resident care.

### IPH Ltd

IPH's share price continued to strengthen on limited new information during the month. The company is benefiting from a continual improvement in patents filed, strong internal referrals across their network, and from improving performance in their newly integrated acquisitions.



## EQT Holdings Limited

EQT's core trustee business generates reliable earnings. The company is exposed to market movements however has capacity to also improve earnings via accretive acquisitions.

## Key detractors

Security name	Sector	Active weight %	Value added %
Seven West Media Ltd	Communication Services	2.15	-0.58
Experience Co Ltd	Consumer Discretionary	2.30	-0.47
Data#3 Ltd	Information Technology	2.94	-0.30

Data Source: Fidante Partners Limited, 31 May 2022.

## Seven West Media Ltd

Consumer discretionary stocks, including media, were sold with Investors concerned about the potential for weaker economic activity due to rising interest rates globally. While we acknowledge the cyclical nature embedded in advertising spend, our thesis also acknowledges the fast growing market share gains currently being generated by BVOD platforms such as those run by Seven or Nine.

## Experience Co Ltd

Experience Co's share price has been impacted by the prospect of higher interest rates and other cost of living expenses (notably power and fuel bills) affecting consumer willingness to spend on leisure activities. Notwithstanding these macro issues, Experience Co continues to be a well run and diversified exposure to the tourism and outdoor activities sector and is expected to benefit from higher demand post the pandemic lockdowns.

## Data#3 Ltd

While share prices across the tech sector have been under pressure this year, Data#3 remains a preferred exposure in the fund with a multi decade track record of higher profitability and dividends, strong balance sheet and growing exposure to the public cloud dynamic. Client demand remains strong, however supply chain disruptions and associated higher costs will be a short-term issue for the stock.

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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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