

Monthly Fact Sheet October 2020

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	12.61	3.47	10.97	9.72	13.63
S&P/ASX Small Ordinaries Accumulation Index	4.69	-2.40	5.67	4.64	6.97
Active return	7.91	5.87	5.29	5.08	6.65
S&P/ASX Small Industrials Accumulation Index ³	7.75	-3.63	7.08	4.92	6.52
Active return	4.86	7.10	3.89	4.80	7.11

Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding.

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 28 April 2017

³ The benchmark for the Fund is the S&P/ASX Small Ordinaries Accumulation Index. For comparison purposes, the S&P/ASX Small Industrials Accumulation Index is displayed as the Fund does not typically invest in resource securities.

Fund facts	
Portfolio managers	James Dougherty, Liam Donohue
Inception date	28 April 2017
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
Management fee	1.10% p.a.
Performance fee	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
Buy/sell spread	+0.39% / -0.39%
Fund size	\$245.1M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
Bapcor Ltd
FINEOS Corp Holdings PLC
SeaLink Travel Group Ltd

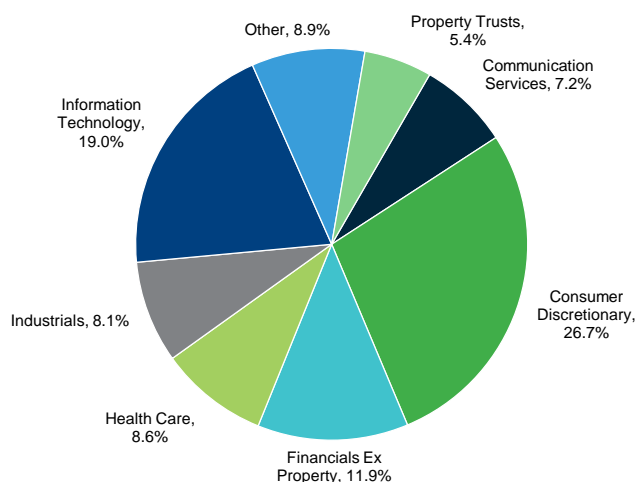
Stock attribution
Top 3
Aussie Broadband Pty Ltd
HUB24 Ltd
Pro Medicus Limited
Bottom 3
Mcperson'S Limited
Corporate Travel Management Limited
Megaport Ltd

Data Source: Fidante Partners Limited, 31 October 2020.

Fund features
An actively managed portfolio of small companies: Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
Experienced investment team: The investment team has a long and successful history investing in Australian small and micro-cap companies.
A refined and tested investment process: Lennox have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
Risk aware: Lennox embed risk management at the centre of their investment philosophy and portfolio construction.

Asset allocation	Actual %	Range %
Security	95.71	80-100
Cash	4.29	0-20

Sector exposure



Fund highlights

The Fund returned 0.75% (after fees) for the month of October, while the S&P/ASX Small Ordinaries Accumulation Index returned 0.46% and the S&P/ASX Small Industrials Accumulation Index returned 0.61% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions in internet service provider Aussie Broadband, portfolio administration platform HUB24 and medical imaging platform provider Pro Medicus. Shares in Aussie Broadband listed at a significant premium to IPO price, closing up 83% at the end of the month. HUB24 was up 24.2% following the announcement of the acquisition of positions in 3 smaller businesses which is expected to be strongly accretive. Pro Medicus shares rose 19.7% in October off the back of several material contract wins over the past couple of months.

The largest detractors from performance were underweight positions in consumer goods company McPhersons, corporate travel company Corporate Travel Management and software networking company Megaport. McPhersons shares dropped 25.3% in October following a trading update which highlighted weaker than expected growth in the second half of FY21. We believe that the company is taking a relatively conservative outlook for the remainder of the year and remain extremely comfortable with the position. Corporate Travel Management was down 15.3% in the month as several European countries re-entered lockdown. We continue to see Corporate Travel Management as an attractive way to gain upside exposure to the economy re-opening. While shares in Megaport fell 16.3% following a quarterly update which highlighted modest growth in monthly recurring revenue despite an acceleration in ports added. We believe the latter is the primary driver of the company and view the momentum in this datapoint as continuing to be positive.

During the month, the fund's pre-IPO position in internet service provider Aussie Broadband listed on the ASX. The fund further topped this position up on-market. We think Aussie Broadband's offering is highly competitive, which is highlighted by the continued capture of market share the company is experiencing. The growth profile of the company continues to remain attractive, particularly in light of the broader industry tailwinds as a result of COVID.

Market overview

The S&P/ASX Small Industrials index was up 0.5% during the month, outperforming the Small Resources Index which was down 0.3% in October. The S&P/ASX Small Ordinaries Index was up 0.5% in October underperforming the S&P/ASX100 by 1.6%.

Financials was the best performing sector in October, up 5.5%, followed by Consumer Staples (+1.8%) and Consumer Discretionary (+1.7%). Health Care was the worst performing sector over the past month, returning -8.6%, followed by Communication Services (-2.3%) and Materials (-1.3%).

The top performers of the month were finance company Virgin Money UK, computer hardware company Dicker Data and portfolio administration platform HUB24. Virgin Money UK was up 26.6% in October as it fell out of the ASX100 in the September rebalance. Dicker Data shares rallied 25.6% in the month following a strong trading update, with the nine-month profit before tax figure up 28.3% year-on-year. Shares in HUB24 were up 24.2% following the announcement of the acquisition of Xplore Wealth, Ord Minnett's non-custody Portfolio Administration and Reporting Service business and a 40% stake in Easton Investments, which is expected to be highly accretive.

The worst performers of the month were biopharmaceutical company Mesoblast, clinical stage biopharmaceutical company Opthea and general pharmaceuticals company Mayne Pharma. Mesoblast shares fell 39.8% for the month as the FDA (US Food and Drug Administration) recommended additional studies to prove the effectiveness of Remestemcel-L for GcHD. Shares in Opthea fell 23.6% as the company underwent an IPO (initial public offering) on the NASDAQ. Shares in Mayne Pharma dropped 23.1% in October following a delay in one of the pharmaceuticals in its pipeline.

What's making waves

We believe the flurry of IPO activity and share price movements in October 2020 highlighted a contradictory trend; lofty valuations are being applied to many IPOs at the same time investors are using earnings upgrades to take profits. There are no shortages of companies taking advantage of the unexpectedly buoyant equity markets and investors' "fear of missing out". This has led to investors being asked to pay lofty multiples to participate in the red-hot IPO market. Trading momentum is a sound strategy if one can perfectly time entries and exits, but this is a difficult and possibly unrepeatable strategy. Conversely, in the listed market, investors are using positive news flow as an opportunity to take profits, potentially having a "fear of getting out". Companies that released strong trading updates, such as Adairs and Nick Scali traded weaker post announcements despite earnings upgrades. We believe this divergence from fundamentals has and will continue to create attractive investment opportunities in both the IPO and listed space.

For further information, please contact:

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