

# NovaPort Smaller Companies Fund

## Monthly report - November 2020

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)	8.45	8.39	-2.33	4.75	6.76	9.72	9.67	12.77
Growth return	8.45	8.32	-3.87	1.09	2.66	5.59	1.46	4.70
Distribution	0.00	0.07	1.54	3.66	4.10	4.14	8.21	8.07
S&P/ASX Small Ordinaries Accumulation Index	10.27	7.66	5.98	6.73	10.70	4.20	4.27	7.57
Active return <sup>3</sup>	-1.83	0.73	-8.31	-1.97	-3.94	5.53	5.41	5.20

**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	91.47	80-100
Cash	8.53	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	3.28	0.00	3.28
Fisher & Paykel Healthcare Corporation Limited	3.19	0.00	3.19
Gold Road Resources Ltd	3.58	0.44	3.13
EQT Holdings Limited	3.13	0.00	3.13
Estia Health Ltd	3.28	0.17	3.11

Fund facts	
Inception date	31 December 2002
Fund size	\$289.6M
APIR code	HOW0016AU

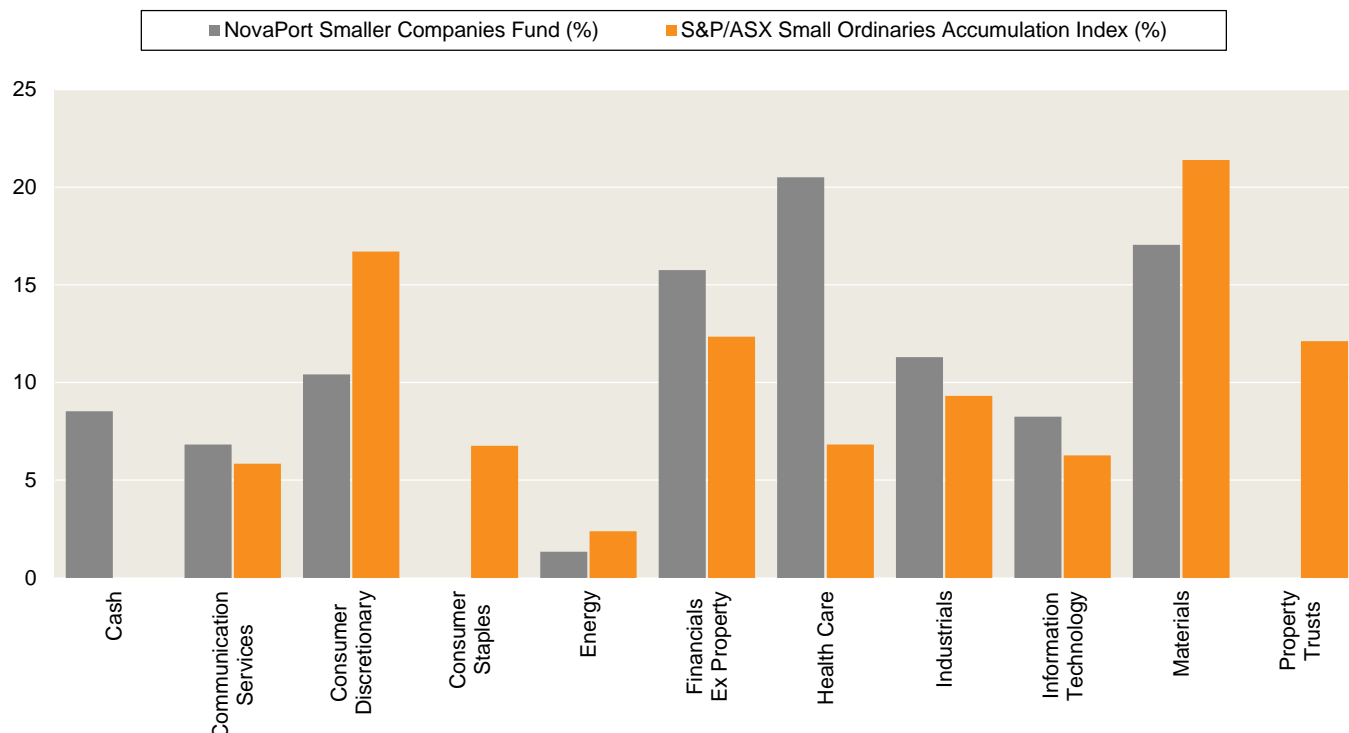
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

**Data Source: Fidante Partners Limited, 30 November 2020.**

<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, 30 November 2020.

## Market overview

Equity markets surged in November fuelled by supportive policy settings, a favourable US election outcome, and an impending vaccine for the COVID-19 virus.

In the US, the prospect of a Democrat President in Joe Biden and a Republic Senate buoyed hopes of larger fiscal stimulus without higher taxes, which would be supportive for equity prices.

However, the biggest news globally was the positive data from the Pfizer-BioNTech and AstraZeneca vaccine candidates, which confirmed the strong likelihood of an effective vaccine in 2021.

This news led to a strong rebound in COVID-impacted stocks such as the energy and travel tourism sectors.

In Australia, the Reserve Bank delivered its widely-anticipated rate cut and announced a \$100 billion bond-buying program to further support the domestic economy.

The ASX Small Ordinaries (Accumulation) Index rose 10.3% last month, with small resources stocks (+10.9%) modestly outperforming small industrials (+10.1%).

Amid the surge in cyclical and economically sensitive stocks, gold miners and defensives were weaker.

In the northern hemisphere, the risk of further economic shocks is high amid spiralling COVID-19 cases and renewed lockdowns in the US and Europe.

An escalating trade dispute with China, Australia's largest export market, is a risk to the local economy, but the outlook for equities appears robust heading into the key Christmas period.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +10.27% for November. The fund underperformed the market and delivered a +8.45% return over November.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	2.03	0.77
Fletcher Building Limited	Materials	2.76	0.63
Credit Corp Group	Financials Ex Property	3.07	0.50

Data Source: Fidante Partners Limited, 30 November 2020.



## Regis Healthcare Ltd

Regis Healthcare shareholders were offered a proposal to sell into a private equity style bid for the business. We see the price offered as opportunistic.

## Fletcher Building Limited

Fletcher Building rallied strongly last month after reporting much better levels of building and construction activity than previously feared. Looking ahead; cost reductions, low interest, and supportive policy settings remain supportive of building activity.

## Credit Corp Group

Credit Corp's share price continues to recover from a heavy sell off associated with fears about poor collection performance in the wake of the Pandemic shock. The company continues to exercise a disciplined approach to debt purchasing and is performing in line with expectations.

## Key detractors

Security name	Sector	Active weight %	Value added %
Saracen Mineral Holdings Ltd	Materials	0.74	-0.83
Gold Road Resources Ltd	Materials	3.13	-0.67
Ebos Group Ltd	Health Care	3.28	-0.47

Data Source: Fidante Partners Limited, 30 November 2020.

## Saracen Mineral Holdings Ltd

Saracen's shares fell in November on a weaker gold price as some of the COVID uncertainty unwinds on recent news flow regarding early testing results for multiple vaccines. Operationally, the company continues to post solid production results.

## Gold Road Resources Ltd

Gold Road has transitioned to mining its primary orebody and continues to generate strong margins and iteratively improve plant performance. A lower gold price saw the share price fall generally in line with its peers.

## Ebos Group Ltd

Ebos Group's share price drifted on limited news flow during November. The company's core pharmaceutical and healthcare logistics businesses have been resilient performers through investment cycles however the share price did not keep up with a strong rebound in market sentiment towards companies which had suffered due to the pandemic.

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### For further information, please contact:

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