

# NovaPort Smaller Companies Fund

## Monthly report - May 2021

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)	-0.30	5.48	25.13	7.70	7.99	9.72	10.32	13.05
Growth return	-0.30	5.27	24.12	4.15	3.99	5.68	3.97	5.14
Distribution	0.00	0.20	1.01	3.55	4.00	4.03	6.36	7.91
S&P/ASX Small Ordinaries Accumulation Index	0.27	6.09	26.73	7.89	10.27	5.12	4.24	7.94
Active return <sup>3</sup>	-0.57	-0.61	-1.60	-0.19	-2.29	4.60	6.08	5.12

**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	96.06	80-100
Cash	3.94	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Independence Group NL	4.46	0.00	4.46
Ebos Group Ltd	4.18	0.00	4.18
Estia Health Ltd	4.21	0.23	3.98
Gold Road Resources Ltd	4.49	0.53	3.96
Kathmandu Holdings Ltd	3.49	0.00	3.49

Fund facts	
Inception date	31 December 2002
Fund size	\$298.2M
APIR code	HOW0016AU

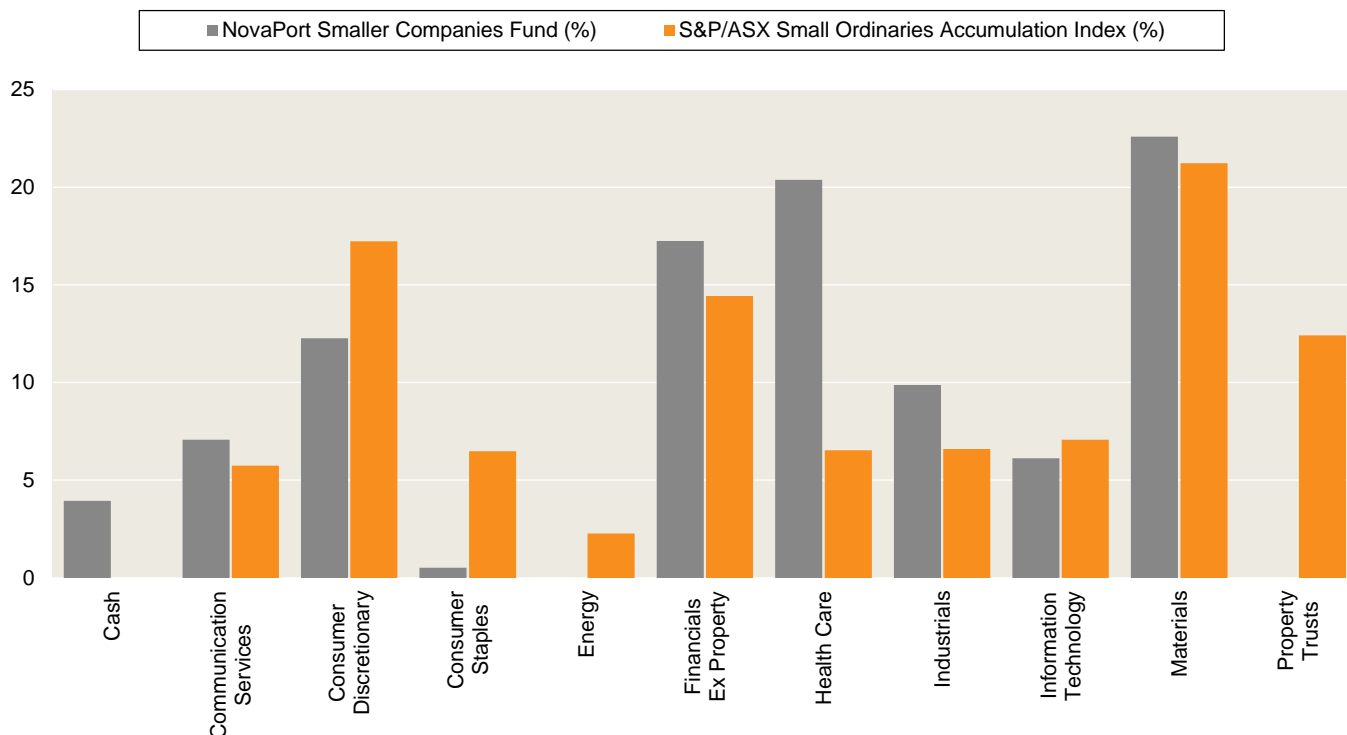
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation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

**Data Source: Fidante Partners Limited, 31 May 2021.**

<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 2021.

## Market overview

While it was a subdued month for the ASX Small Ordinaries (Accumulation) Index with a rise of just 0.27% it followed a strong 5% gain over April.

Mining companies led the way finishing up 4.15% over May which backs up a 9.15% increase over the prior month. While some commodities prices took a breather over May, the upward trend since the COVID lows last year continues.

Industrials struggled to keep up with the resources sector posting a 0.63% decline compared to a 3.91% increase in April. Nevertheless, broader economic activity levels remain favourable with major indicators such as house prices, building activity and business and consumer confidence levels all at buoyant levels while unemployment numbers continue to track down.

Impetus for the economic rebound received an additional boost with the Federal budget reflecting recent government rhetoric that while assistance such as JobKeeper is no longer required, now is not the right time for winding back too much fiscal support or implementing reforms for the longer term which may impede the current rate of recovery.

Added to this, Reserve Bank of Australia (RBA) support remains in place in the form of lower interest rates and no expectation of a hike any time soon.

With May always a popular month for earnings updates given the proximity to year end the general feedback has been very positive. In general, higher consumer spend and expansion now into services as restrictions ease is offsetting some of the weaker segments of the economy such as travel and tourism.

A large number of companies have flagged some cost increases mainly associated with lagging global supply chain disruptions as networks take time to come back online. Of course, the million dollar question remains whether these higher costs are transitory or, combined with rapid economic recovery, at risk of becoming embedded in higher inflation expectations going forward.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.27% for May. The fund underperformed the market and delivered a -0.30% return over May.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Gold Road Resources Ltd	Materials	3.96	0.66
Ebos Group Ltd	Health Care	4.18	0.39
Kathmandu Holdings Ltd	Consumer Discretionary	3.49	0.33

Data Source: Fidante Partners Limited, 31 May 2021.



## Gold Road Resources Ltd

Gold Road's share price recovered with an improved gold price and renewed interest in the gold producing sector. At its AGM the company reported continued progress as it is in the final stages of successfully delivering the (long life) Gruyere project.

## Ebos Group Ltd

EBOS Group operates a portfolio of healthcare distribution, branded products and pet health businesses in Australia and New Zealand. In May, major pharmaceutical manufacturer Pfizer announced that it would return to distributing medicine through wholesalers in late 2021. This reduces industry concerns that more pharmaceutical distribution would revert to a direct channel.

## Kathmandu Holdings Ltd

Kathmandu's share price has been trending positively over the last two months largely on a more favourable outlook for travel related winter apparel as restrictions ease (albeit still missing the international component) as well as a very strong performance by Rip Curl validating its acquisition in late 2019. In addition, the formal appointment of a new CEO in mid-May was well received by the market.

## Key detractors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	2.19	-0.38
Fisher & Paykel Healthcare Corporation Limited	Health Care	1.18	-0.25
Chalice Mining Ltd	Materials	-1.02	-0.22

Data Source: Fidante Partners Limited, 31 May 2021.

## Regis Healthcare Ltd

Regis Healthcare's share price weakened following a strong recovery from its 2020 lows. The Federal budget announced a package of significant funding which will benefit the sector next year, yet failed to provide clarity on the longer term funding model for the Aged Care sector.

## Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel reported strong earnings for 2021. With uncertainty associated with volumes of COVID-19 hospital admissions the company did not provide guidance for FY22 and this created some impetus for selling.

## Chalice Mining Ltd

Not held by the fund.

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### For further information, please contact:

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