

NovaPort Smaller Companies Fund

Monthly report - July 2021

Performance ¹	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a ²
Fund return (net)	-0.06	1.98	27.16	7.65	7.35	10.25	10.33	13.07
Growth return	-0.06	-0.99	22.70	4.02	3.71	5.93	3.96	5.06
Distribution	0.00	2.98	4.46	3.63	3.64	4.31	6.38	8.01
S&P/ASX Small Ordinaries Accumulation Index	0.68	4.06	32.30	9.22	9.57	5.92	4.45	8.08
Active return ³	-0.74	-2.07	-5.14	-1.57	-2.22	4.33	5.88	4.99

Past performance is not a reliable indicator of future performance.

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 31 December 2002

³ 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	95.39	80-100
Cash	4.61	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Independence Group NL	4.07	0.00	4.07
Ebos Group Ltd	4.02	0.00	4.02
Estia Health Ltd	3.94	0.21	3.73
Gold Road Resources Ltd	3.75	0.45	3.30
Kathmandu Holdings Ltd	3.16	0.00	3.16

Fund facts	
Inception date	31 December 2002
Fund size	\$291.3M
APIR code	HOW0016AU

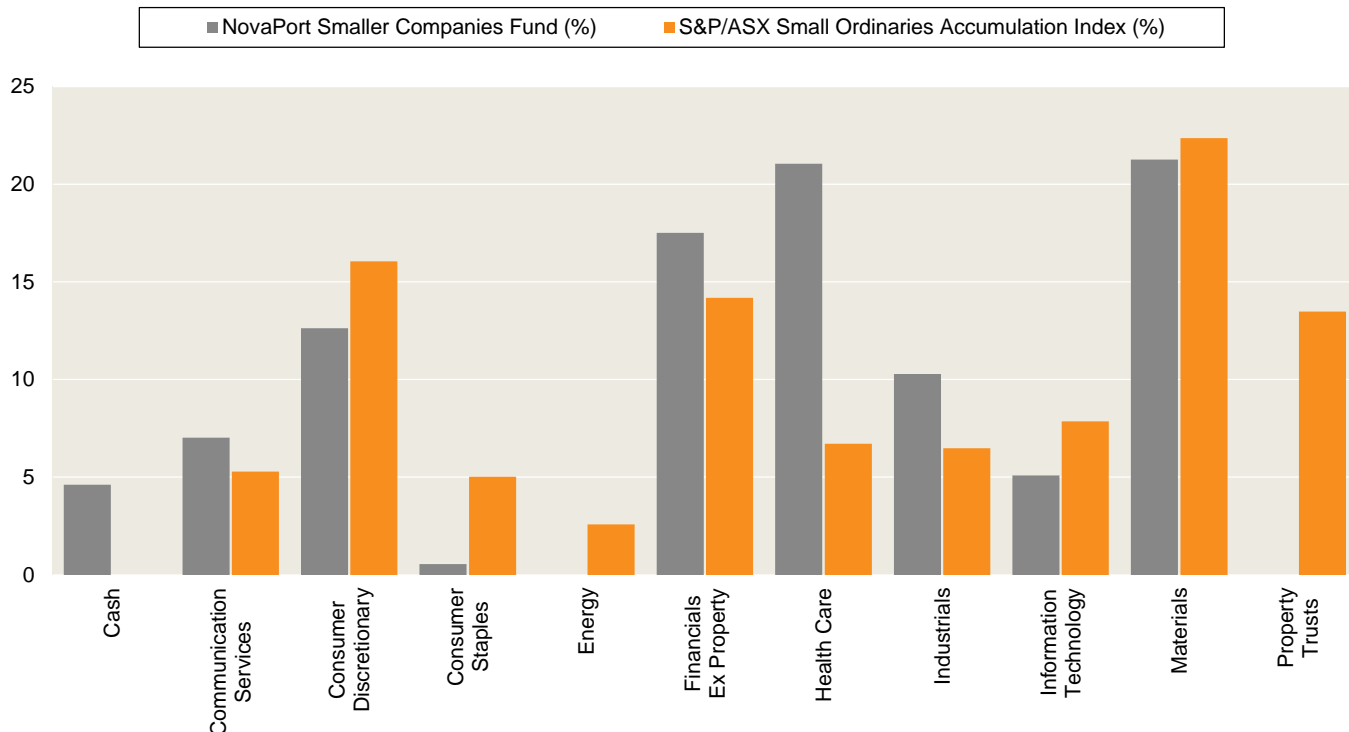
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 July 2021.

¹ 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.

² The performance fee was introduced from 1 October 2011

Sector exposure



Data Source: Fidante Partners Limited, 31 July 2021.

Market overview

Australian smaller companies rose in July despite renewed lockdowns crimping economic activity just ahead of the key August reporting season.

The ASX Small Ordinaries (Accumulation) Index rose 0.7% last month, buoyed by increasing local merger and acquisition activity, and strong consumer and business confidence.

However, the resurgence of COVID-19 towards the end of the month dampened some enthusiasm, with optimism about the strong economy tempered by major shutdowns across the east coast.

Whether the highly contagious Delta variant of the virus can be controlled is a critical question for corporate Australia and earnings momentum for the listed market.

The most optimistic vaccination timetables suggest there could be months of hard lockdowns to navigate.

Globally, the US reporting season has so far delivered very strong earnings growth and US equity markets have performed very well.

In China, the other key global economic driver, moves to cool the economy have caused some jitters, although commodity prices remained high.

The strength in base metals helped small resources companies to a 7.4% gain last month, while small industrials fell 0.9%.

Investors are looking ahead to the August reporting season to assess all important company outlook statements, while the Jackson Hole economic meeting is the key event in the macro calendar.

Any sign of a change in policy by the US Federal Reserve will likely have consequences for markets.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.68% for July. The fund underperformed the market and delivered a -0.06% return over July.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Independence Group NL	Materials	4.07	0.81
Seven Group Holdings Ltd	Industrials	2.50	0.30
Piedmont Lithium Ltd	Materials	-0.41	0.17

Data Source: Fidante Partners Limited, 31 July 2021.



Independence Group NL

IGO Group's share price has continued to rally following the acquisition of a share in the Greenbush lithium mine and refinery. The company reported a solid quarterly production report and also announced the acquisition of a Nickel resource and prospect close to its established Nova mine. This orebody is expected to provide additional mine life and leverage existing infrastructure.

Seven Group Holdings Ltd

Seven Group's investment in Boral has been rewarding and it now has the opportunity to influence strategy and operations to drive elevated returns.

Piedmont Lithium Ltd

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	3.16	-0.40
Data#3 Ltd	Information Technology	1.50	-0.32
Pilbara Minerals Ltd	Materials	-1.55	-0.27

Data Source: Fidante Partners Limited, 31 July 2021.

Kathmandu Holdings Ltd

The lockdown across Sydney (and prior to that, Victoria) due to the Delta variant impacted trading conditions towards the end of its 31 July financial year. As a result, the company recently revised earnings expectations which has weighed on the share price. Nevertheless, buoyant trading for the Kathmandu brand across Australia prior to the lockdowns suggests a relatively quick and material recovery should be expected as vaccine take up rates reach critical mass and lockdowns are eased.

Data#3 Ltd

Data#3's share price was weaker in July on a trading update that, while highlighting a record year of profit, will see earnings impacted by product shipment delays caused by global computer chip shortages. The timing of the delays over the normally busy final quarter of FY21 will see a portion of June quarter earnings deferred to the current financial year as shortfalls are recovered.

Pilbara Minerals Ltd

Not held by the fund.

For further information, please contact:

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