

NovaPort Smaller Companies Fund

Monthly report - August 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)	3.84	6.22	27.98	7.91	7.07	10.88	10.46	13.23
Growth return	3.84	3.12	23.49	4.27	3.44	6.54	4.08	5.24
Distribution	0.00	3.10	4.49	3.64	3.63	4.34	6.38	7.99
S&P/ASX Small Ordinaries Accumulation Index	4.98	8.95	29.51	10.09	10.99	6.72	4.53	8.32
Active return ³	-1.14	-2.73	-1.53	-2.18	-3.92	4.15	5.93	4.91

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	95.60	80-100
Cash	4.40	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	4.08	0.00	4.08
Estia Health Ltd	3.80	0.20	3.60
Independence Group NL	3.55	0.00	3.55
IPH Ltd	4.03	0.75	3.28
Gold Road Resources Ltd	3.58	0.41	3.16

Fund facts	
Inception date	31 December 2002
Fund size	\$296.6M
APIR code	HOW0016AU

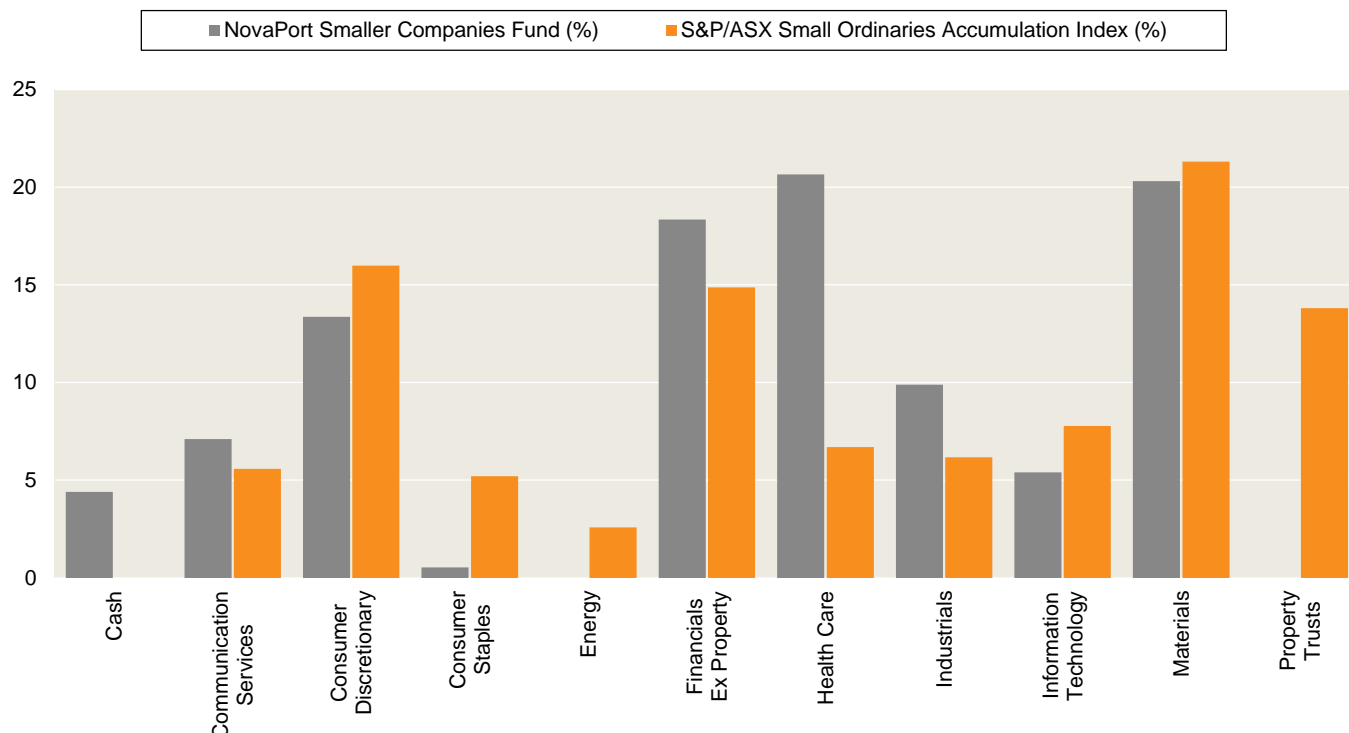
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The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

Data Source: Fidante Partners Limited, 31 August 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 August 2021.

Market overview

Australian equities rallied last month as strong company earnings overcame concerns about rising COVID-19 infections and evidence of waning vaccine efficacy.

The ASX Small Ordinaries (Accumulation) Index rose 5% in August, buoyed by a strong corporate earnings season and ongoing fiscal and monetary support.

By contrast the ASX 100 (Accumulation) Index rose just 2.3% reflecting the concentration of positive earnings surprises among small caps.

By sector, small industrials gained 6% while small resources lagged, rising just 0.7%, with gold and iron ore names particularly weak.

US Federal Reserve chair Jerome Powell repeated his belief that current high inflation is transitory, supporting bond prices and adding momentum to growth stocks.

However, both the Fed and the Reserve Bank of Australia are signalling a near-term tapering of their asset purchases, which will present a key test for markets being fuelled by extraordinary monetary support.

Domestically companies were cautious in their outlook statements with much of Australia in lockdown amid the outbreak of the COVID delta variant.

The attendant hit to confidence and economic activity poses an important question for the market, with ongoing debate around the strength of the post-lockdown recovery.

Similar uncertainty remains regarding inflation, with widespread price pressures being reported across many sectors and major disruptions to supply chains driving huge jumps in the cost of freight and some materials.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +4.98% for August. The fund underperformed the market and delivered a +3.84% return over August.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Ebos Group Ltd	Health Care	4.08	0.51
IPH Ltd	Industrials	3.28	0.40
Nanosonic Limited	Health Care	2.21	0.36

Data Source: Fidante Partners Limited, 31 August 2021.



Ebos Group Ltd

EBOS Group reported another year of steady earnings growth. In the pharmaceutical distribution business, the company enjoyed volume growth from new customers. The company continues to invest in new opportunities in its healthcare logistics and animal health and nutrition operations.

IPH Ltd

IPH's share price strengthened as the company's continual improvement in patents filed in both Australia and Singapore raised investor sentiment. Management also displayed discipline in achieving synergies post integration of recent acquisitions and the company is competitively positioned to grow market share in secondary markets and improve profitability.

Nanosonic Limited

Nanosonic's share price was up materially over the month on expectation of a resumption of postponed hospital procedures as vaccination rates across the northern hemisphere continue to climb, especially in the US, as well as a positive update on new product development focussing on endoscope cleaning and disinfection.

Key detractors

Security name	Sector	Active weight %	Value added %
Integral Diagnostics Ltd	Health Care	2.01	-0.42
Seven Group Holdings Ltd	Industrials	2.28	-0.35
Sims Ltd	Materials	1.80	-0.33

Data Source: Fidante Partners Limited, 31 August 2021.

Integral Diagnostics Ltd

Integral Diagnostic's share price fell after its results, giving back some of its strong prior performance. The earnings result was in line with expectations; however management highlighted some challenges in FY22 associated with lockdowns, competition in New Zealand and tweaks to medicare funding.

Seven Group Holdings Ltd

Seven Group was weaker as markets digested a slowing growth profile in its core businesses.

Sims Ltd

Sims Limited reported a strong result however falling iron ore prices have weighed on sentiment towards the company. While lower Iron Ore prices will inevitably weigh on scrap steel prices, we expect Sims metal trading volumes to be resilient, supported by the recent removal of trade barriers. Non ferrous metal prices remain robust, which is an important driver of margin for the recycling business.

For further information, please contact:

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This material has been prepared by NovaPort Capital Pty Ltd (ABN 88 140 833 656, AFSL 385329) NovaPort, the investment manager of the NovaPort Smaller Companies Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

