

# NovaPort Smaller Companies Fund

## Quarterly report - September 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)	-0.94	2.80	28.05	7.89	6.26	11.10	10.06	13.11
Growth return	-1.27	2.46	23.23	4.19	2.66	6.73	3.71	5.15
Distribution	0.33	0.34	4.82	3.70	3.60	4.38	6.36	7.96
S&P/ASX Small Ordinaries Accumulation Index	-2.14	3.44	30.41	9.41	10.18	7.69	4.26	8.16
Active return <sup>3</sup>	1.19	-0.64	-2.36	-1.52	-3.92	3.41	5.80	4.95

**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	94.82	80-100
Cash	5.18	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Ebos Group Ltd	3.98	0.00	3.98
Estia Health Ltd	3.99	0.19	3.80
Kathmandu Holdings Ltd	3.70	0.00	3.70
IPH Ltd	3.96	0.70	3.26
Spark New Zealand Ltd	3.54	0.34	3.20

Fund facts	
Inception date	31 December 2002
Fund size	\$289.9M
APIR code	HOW0016AU

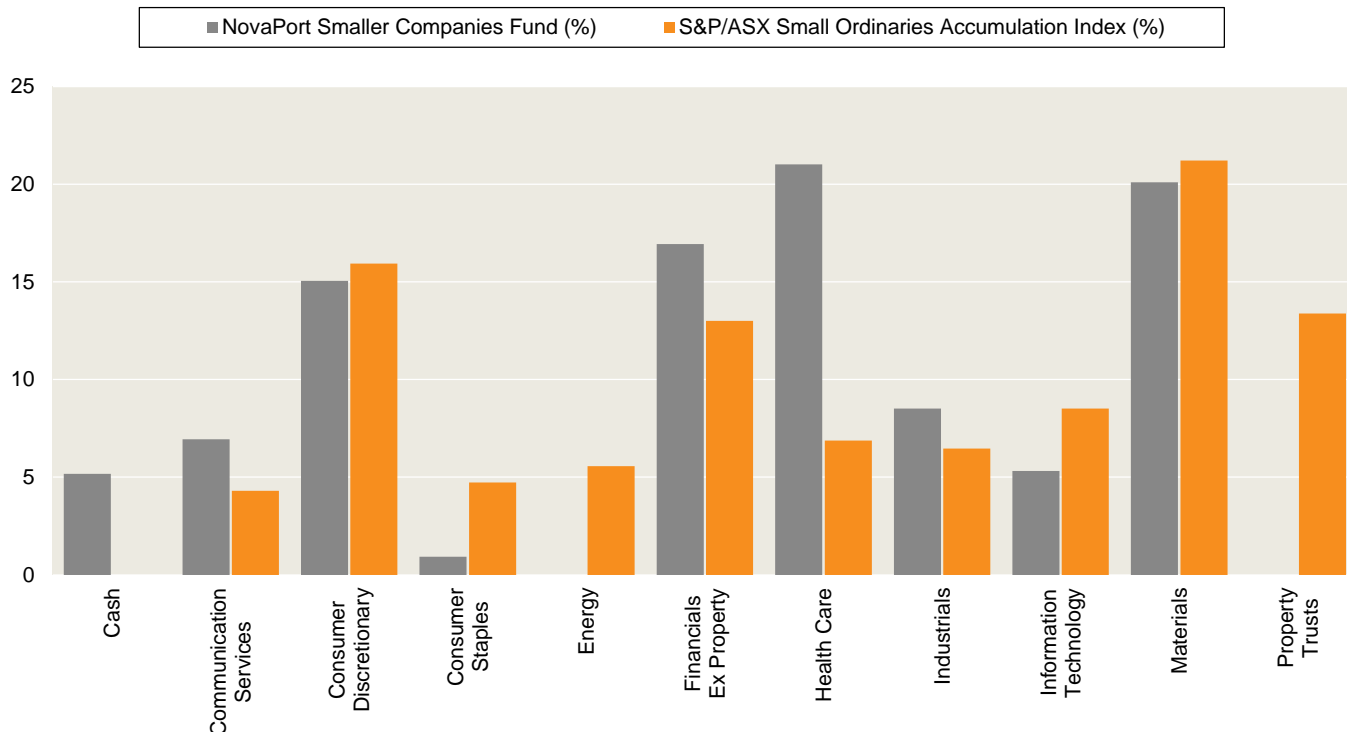
Fees	
Entry fee	Nil
2020-2021 ICR	1.00%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

**Data Source: Fidante Partners Limited, 30 September 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, 30 September 2021.

## Market overview

Australian shares fell in September amid rising bond yields and signs that ultra-loose monetary policy will eventually be unwound.

The ASX Small Ordinaries (Accumulation) Index declined 2.1% last month, crimping returns in an otherwise strong quarter (+3.4%).

The local market was buoyed by a strong August reporting season, although cautious outlook statements followed COVID-19 outbreaks and their associated lockdowns.

At a macro level, the US Federal Reserve signalled plans to taper its enormous bond purchasing program in the relatively near term.

This move saw yields on key bond tenors begin to rise and sparked debate about the potential for interest rate hikes to be pulled forward.

Domestically, The Reserve Bank of Australia maintains that the cash rate will not rise until 2024, but global inflation pressures are building and have remained more persistent in the US and Europe than policymakers anticipated.

The rise in bond yields saw the tech-heavy NASDAQ fall 5.3% last month, with pressure also on local tech, growth, and high valuation companies with longer-dated cashflows.

Iron ore prices rolled sharply lower in the period, driven by the Chinese government's move to cool inflationary pressures and take speculative risks out of the property market.

The focal point for this drama has been indebted developer Evergrande which is struggling to meet its obligations and may pose a systemic risk.

Small resources stocks were impacted by the China slowdown, falling 5.4% last month, but still gaining 3.8% for the quarter.

Energy companies were a bright spot in the resources space, rallying hard on spiking prices for thermal coal, gas, and oil.

Small industrials shed 1.3% for the month but gained 3.8% for the quarter.

Investors will be looking ahead to AGM season for trading updates and for any signs on the trajectory for global monetary policy.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +3.44% for the quarter. The fund underperformed the market and delivered a +2.80% return over the quarter.



## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Independence Group NL	Materials	2.85	0.62
IPH Ltd	Industrials	3.26	0.48
Technology One Limited	Information Technology	2.39	0.45

Data Source: Fidante Partners Limited, 30 September 2021.

### Independence Group NL

IGO Group is benefiting from higher prices for its key commodities, Nickel and Lithium, both of which are important raw materials in the electric vehicle (EV) supply chain.

### IPH Ltd

IPH reported a solid result in August involving a continual improvement in patents filed group-wide and achieving market share gains in Singapore throughout the year. The company demonstrated strength in their business strategy, whereby increased momentum in internal referrals enhanced organic growth. IPH also acquired Applied Marks early in the new financial year, improving their technological edge in the filing of trademarks.

### Technology One Limited

The acquisition of UK based higher education software company Scientia announced in early September as well as another update flagging on premise sales and maintenance will cease at the end of FY24, thereby expediting the transitions to a software as a service revenue model, were both well received by the market.

### Key detractors

Security name	Sector	Active weight %	Value added %
Sims Ltd	Materials	0.34	-0.53
Pilbara Minerals Ltd	Materials	-1.81	-0.49
Whitehaven Coal Ltd	Energy	-1.08	-0.42

Data Source: Fidante Partners Limited, 30 September 2021.

### 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.

### Pilbara Minerals Ltd

Not held by the fund.

### Whitehaven Coal Ltd

Not held by the fund.

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#### 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](http://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.

