

NovaPort Microcap Fund

Quarterly report - September 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)	1.06	7.35	32.97	8.99	10.15	11.74	9.23	10.45
Growth return	1.00	7.28	15.56	2.49	5.90	8.93	5.06	5.77
Distribution	0.06	0.06	17.41	6.50	4.25	2.81	4.17	4.68
S&P/ASX Small Ordinaries Accumulation Index	-2.14	3.44	30.41	9.41	10.18	7.69	4.26	5.53
Active return ³	3.20	3.91	2.56	-0.42	-0.03	4.05	4.97	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 22 March 2005

³ Numbers may not add due to rounding

Investment objective

The Fund aims to outperform its benchmark over rolling seven-year periods through the investment in a diversified portfolio of micro-cap Australian companies.

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 seven years

Asset allocation	Actual %	Range %
Security	84.22	80-100
Cash	15.78	0-20

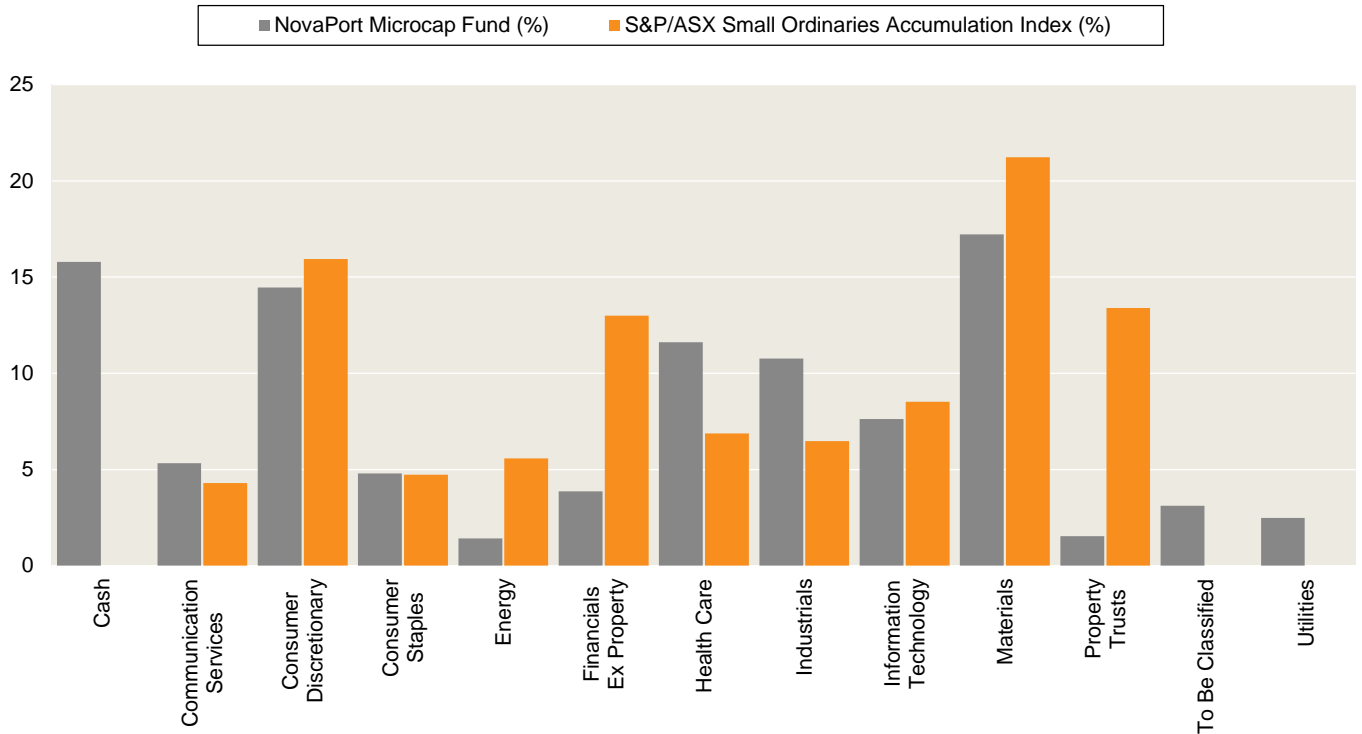
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Monash IVF Group Limited	4.57	0.00	4.57
Mincor Resources NI	4.47	0.00	4.47
Rhipe Ltd	4.42	0.00	4.42
GR Engineering Services Ltd	3.58	0.00	3.58
Viva Leisure Ltd	3.28	0.00	3.28

Fund facts	
Inception date	22 March 2005
Fund size	\$89.4M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2020-2021 ICR	1.50%
Management fee	1.50%
Performance fee	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).
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 30 September 2021.

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 outperformed the market and delivered a +7.35% return over the quarter.



Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Viva Leisure Ltd	Consumer Discretionary	3.28	0.98
Mincor Resources NI	Materials	4.47	0.89
Tuas Ltd	Communication Services	1.57	0.88

Data Source: Fidante Partners Limited, 30 September 2021.

Viva Leisure Ltd

Viva Leisure's announcement of the partial reopening of their gym portfolio in addition to the deferral of financial performance covenants underpinned share price strength in the quarter. The company is well positioned to recover as members return with the easing of lockdowns and demonstrates resilience in executing their market growth strategy going forward.

Mincor Resources NI

Higher nickel prices continue to support the Mincor share price. The company is also having success in exploiting opportunities arising from recent acquisitions, allowing it to explore for new sources of Nickel Ore.

Tuas Ltd

The company announced pleasing paid subscription growth. Tuas has built a mobile telephony network in Singapore and is now actively monetising this sunk investment.

Key detractors

Security name	Sector	Active weight %	Value added %
Pivotal Systems Corp	Information Technology	1.56	-0.71
Clover Corp Ltd	Materials	2.36	-0.55
Pilbara Minerals Ltd	Materials	-1.81	-0.50

Data Source: Fidante Partners Limited, 30 September 2021.

Pivotal Systems Corp

Pivotal Systems share price declined following a capital raising to provide further working capital as the company continues to build sales volumes. The company has an innovative gas flow controller used by semiconductor manufacturing devices to drive greater efficiency. The sales pipeline remains strong, as global semiconductor manufacturing capacity is in short supply demanding further investment.

Clover Corp Ltd

Clover Corporation featured subdued demand for the sale of ingredients in infant formula throughout the year. While Management demonstrated discipline in controlling operating costs, demand was challenged both by lockdowns and travel restrictions in all core markets. Clover is well placed for a recovery in demand alongside restrictions easing globally as a high quality and well-established producer of core ingredients contained in infant formula.

Pilbara Minerals Ltd

Not held by the fund.

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 Microcap 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. NovaPort 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, NovaPort 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.

