

# NovaPort Microcap Fund

## Quarterly report - December 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)	3.72	2.59	21.19	16.11	10.41	11.76	7.81	10.45
Growth return	2.55	1.43	4.74	9.01	6.05	9.02	4.08	5.77
Distribution	1.17	1.16	16.45	7.10	4.37	2.74	3.74	4.68
S&P/ASX Small Ordinaries Accumulation Index	1.41	2.03	16.90	15.71	11.17	7.97	3.40	5.58
Active return <sup>3</sup>	2.31	0.56	4.30	0.40	-0.75	3.79	4.42	4.88

**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 22 March 2005

<sup>3</sup> 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	84.72	80-100
Cash	15.28	0-20

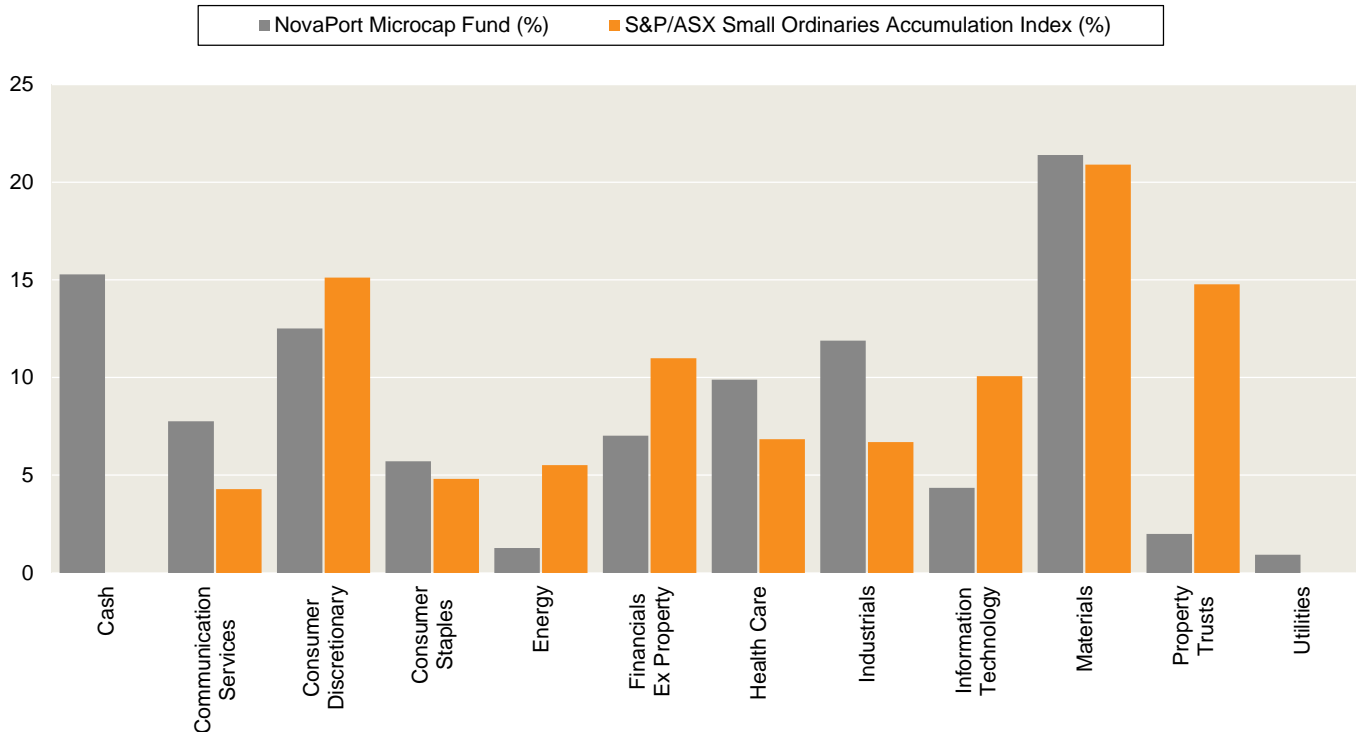
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Mincor Resources NI	5.32	0.00	5.32
Monash IVF Group Limited	4.94	0.00	4.94
GR Engineering Services Ltd	4.16	0.00	4.16
NZME Ltd	3.66	0.00	3.66
Experience Co Ltd	3.59	0.00	3.59

Fund facts	
Inception date	22 March 2005
Fund size	\$90.8M
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, 31 December 2021.

## Sector exposure



Data Source: Fidante Partners Limited, 31 December 2021.

## Market overview

Resource stocks drove smaller companies higher in December amid ongoing pandemic-related disruption and a looming policy pivot from the US Federal Reserve.

The ASX Small Ordinaries (Accumulation) Index rose 1.4% last month, capping a 2% gain for the December quarter.

China's balancing act between economic growth and an overheating property sector saw iron ore prices whipsaw, while oil markets were roiled by the Omicron variant and its potential impact on travel.

Despite the volatility in commodities, small resources stocks rallied 3.5% in December, posting a very strong 14.2% gain for the quarter.

Battery metals miners (lithium and nickel) were the key standouts on strong commodity prices and growing conviction in rapid adoption of electronic vehicles.

Small industrial companies lagged, gaining just 0.8% for the month and falling 1.2% for the quarter.

A strong Australian economy remains supportive for sales, but spiking shipping and logistics costs, and emerging labour shortages, are key productivity and margin risks heading into the February reporting season.

Australia's transition to life with COVID-19 circulating through the community also presents a new test for consumer behaviour and may impact businesses linked to mobility and social interaction.

The key development for global markets was the US Federal Reserve's shift in focus to combat persistently high US inflation.

The world's most important central bank signalled an end to its ultra-easy policies, with a near-term taper of asset purchases and sooner-than-expected interest rate hikes.

Yields on US 10-year bonds, the global rate benchmark, began to climb in response, with corresponding pressure on expensive and unprofitable technology stocks.

Despite the shift in yields, valuation dispersions remain extremely wide in the US and Australia, with expensive 'long-duration' afforded much higher multiples than the broader market.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +2.03% for the quarter. The fund outperformed the market and delivered a +2.59% return over the quarter.



## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Mincor Resources NI	Materials	5.32	1.40
NZME Ltd	Communication Services	3.66	0.95
Tuas Ltd	Communication Services	2.18	0.61

Data Source: Fidante Partners Limited, 31 December 2021.

### Mincor Resources NI

Mincor Resources has been a beneficiary of robust nickel prices as well as increasing market recognition of its consolidation strategy at the renowned Kambalda Dome nickel province. Exploration success has shown the region remains prospective and Mincor is strategically well placed to benefit from this.

### NZME Ltd

NZME has undertaken a meaningful transformation. It has used its cash flow wisely to retire debt and also make strategic investments in its online media operations, which are showing promising signs of growth. The company is well placed to further capitalise on the very strong position it holds as a dominant news reporter and content creator in New Zealand.

### Tuas Ltd

Tuas Limited share price rose on recognition of its position as an emerging mobile telecommunication provider in the lucrative Singapore market. The company has invested heavily in infrastructure and is now driving penetration as a low cost alternative to the incumbent mobile operators.

### Key detractors

Security name	Sector	Active weight %	Value added %
Atomos Ltd	Consumer Discretionary	1.98	-1.01
Warrego Energy Ltd	Energy	1.27	-0.93
Ai-Media Technologies Limited	Information Technology	1.94	-0.73

Data Source: Fidante Partners Limited, 31 December 2021.

### Atomos Ltd

Atomos's share price fell following the appointment of a new CEO and the unexpected departure of a founder. While this created an element of uncertainty, the business is buttressed by differentiated product offerings at attractive price points.

### Warrego Energy Ltd

Warrego Energy's share price has remained weak following an independent reserve estimate at its onshore Western Australian gas joint venture. The field is well placed to provide much needed gas into the West Australian domestic gas market, however bullish expectations about reserve upside potential were disappointed.

### Ai-Media Technologies Limited

Late last year Ai-Media elected to expedite its global expansion plans in light of recent new market opportunities such as in India where it has recently joined a UN convention that requires captioning for hearing impaired viewers. India is a large market and with no current infrastructure, Ai-Media is well positioned to gain first mover advantage. We also note the company has recently activated a share buy back on price weakness.

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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 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](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. 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.

