

### Monthly Fact Sheet December 2020

Performance <sup>1</sup>	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	7.75	16.42	17.53	9.76	15.04
S&P/ASX Small Ordinaries Accumulation Index	13.83	9.21	15.11	6.56	10.33
Active return	-6.08	7.21	2.42	3.20	4.71
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	12.16	5.93	14.83	7.22	9.39
Active return	-4.42	10.49	2.70	2.54	5.65

**Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding.**

<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 28 April 2017

<sup>3</sup> The benchmark for the Fund is the S&P/ASX Small Ordinaries Accumulation Index. For comparison purposes, the S&P/ASX Small Industrials Accumulation Index is displayed as the Fund does not typically invest in resource securities.

Fund facts	
<b>Portfolio managers</b>	James Dougherty, Liam Donohue
<b>Inception date</b>	28 April 2017
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
<b>Management fee</b>	1.10% p.a.
<b>Performance fee</b>	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
<b>Buy/sell spread</b>	+0.39% / -0.39%
<b>Fund size</b>	\$280.4M
<b>Distribution frequency</b>	Half-yearly

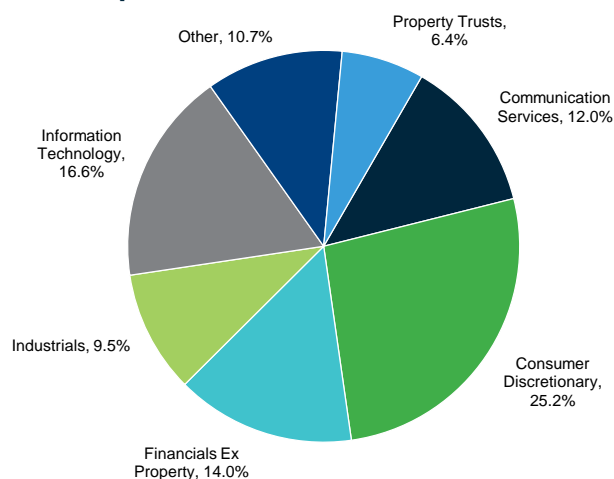
Top 3 active positions (alphabetical)
Collins Foods Ltd
SeaLink Travel Group Ltd
Vocus Group Ltd

Stock attribution
<b>Top 3</b>
Nuix Ltd
Mesoblast Limited
IDP Education Ltd
<b>Bottom 3</b>
Corporate Travel Management Limited
Freedom Foods Group Ltd
Mcperson'S Limited

Fund features
<b>An actively managed portfolio of small companies:</b> Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and micro-cap companies.
<b>A refined and tested investment process:</b> Lennox have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
<b>Risk aware:</b> Lennox embed risk management at the centre of their investment philosophy and portfolio construction.

Asset allocation	Actual %	Range %
Security	94.36	80-100
Cash	5.64	0-20

### Sector exposure



## Fund highlights

The Fund returned 1.35% (after fees) for the month of December, while the S&P/ASX Small Ordinaries Accumulation Index returned 2.76% and the S&P/ASX Small Industrials Accumulation Index returned 1.25% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included an overweight position in data software company Nuix, as well as underweight positions in biotech company Mesoblast and education company IDP Education. Shares in Nuix rallied 55.4% for the month as the stock listed on the ASX. Mesoblast shares fell 45.9% for the month as its Remestemcel-L trial in Covid-19 patients did not meet the minimum mortality reduction desired. Lennox does not hold Mesoblast and was positively impacted by the underweight position relative to the benchmark. IDP Education shares fell 20.4% for the month on no company specific news. Lennox does not hold IDP Education and was positively impacted by the underweight position relative to the benchmark.

The largest detractors from performance were overweight positions in corporate travel company Corporate Travel and consumer goods company McPhersons, as well as an underweight position in diversified miner IGO. Corporate Travel shares fell 12.5% in December as the travel sector sold down. We believe this is simply a case of investors taking profits as the stock has rallied heavily over the quarter. With no material changes to fundamentals, we remain happy holders of the company. McPhersons was down 25.5% in December as the company released a trading update, reducing PBT guidance down significantly, as well as announcing the resignation of its CEO. We believe the companies issues are temporary and its valuation at current prices remains attractive relative to its medium-term prospects. IGO shares rallied 37.4% in the month as lithium continued to rally, with the company acquiring lithium assets for \$766m. Lennox does not invest in mining companies and was negatively impacted by the underweight position relative to the benchmark.

During the month, the fund topped up its position in media company outdoor media company oOh!media. We believe oOh!media offers attractively valued exposure to the reopening of the economy stimulated by the vaccine. The company is a dominant player in the advertising space, which is heavily driven by the economic cycle.

## Market overview

The S&P/ASX Small Ordinaries Accumulation Index was up 2.8% in December, outperforming the S&P/ASX100 by 1.7%. The Small Industrials Index was up by 1.3%, underperforming the Small Resources Index which was up by 8.7% in December.

Energy was the best performing sector in December, up 7.3%, followed by Materials (+6.4%) and Industrials (+1.5%). Communication Services was the worst performing sector over the past month, returning -2.9%, followed by Information Technology (-2.5%) and Health Care (-0.8%).

The top performers in the month were clothing retailer City Chic, diversified miner IGO and personal care product manufacturer Asaleo. City Chic was up 45.7% in December as it acquired Evans from Arcadia Group from existing cash reserves at a cost of 23.1m GBP. IGO shares rallied 37.4% in the month as lithium continued to rally, with the company acquiring lithium assets for \$766m. Shares in Asaleo were up 35.0% as it received a takeover offer.

The worst performers of the month were biotech company Mesoblast, education company IDP Education and infrastructure services company Service Stream. Mesoblast shares fell 45.9% for the month as its Remestemcel-L trial in Covid-19 patients did not meet the minimum mortality reduction desired. Shares in IDP Education dropped 20.4% off no firm specific news. Service Stream shares fell 20.1% as it signed a new agreement with NBN Co for \$85m in its first year, replacing the previous agreement of \$330m revenue in FY20.

## What's making waves

As 2020 draws to a close, we reflect on one of the most turbulent and volatile years in living memory. Only twelve months ago, the country was being devastated by one of the worst bushfires in Australian history. The fires were barely under control before the worst pandemic since the Spanish Flu began, leaving almost no country across the world untouched. The impact of COVID-19 on global markets was ultimately the fastest 30% fall in history. Almost as quickly as markets had turned negative though, a global push to fast track a vaccine, as well as unprecedented levels of Government stimulus across major economies, drove a huge market rebound. Ultimately this saw the largest 50-day market rally in history, and resultingly, the shortest bear market ever. While this brief summary neatly depicts 2020 markets as a short, sharp fall followed by a short but sharper rally, it understates the dispersion in the share price performance of specific industries or companies and the extreme mispricing that resulted from these share price moves. An environment such as this creates opportunities for active management, and throughout 2020 we have consistently applied our clearly defined investment process and philosophy. Whatever 2021 may bring our approach will remain unchanged.

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