

Monthly Fact Sheet December 2020

Performance ¹	3 month %	6 month %	1 year %	2 years % p.a	Inception % p.a ²
Fund return (net)	18.66	51.92	45.40	35.72	18.98
S&P/ASX Small Ordinaries Accumulation Index	13.83	20.28	9.21	15.11	6.97
Active return	4.84	31.64	36.19	20.60	12.01
S&P/ASX Small Industrials Accumulation Index ³	12.16	19.94	5.93	14.83	7.61
Active return	6.50	31.98	39.47	20.89	11.37

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

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 January 2018

³ 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	
Portfolio managers	James Dougherty, Liam Donohue
Inception date	31 January 2018
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)
Management fee	1.30%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
Buy/sell spread	+0.50% / -0.50%
Fund size	\$19.9M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
360 Capital Digital Infrastructure Fund
Aussie Broadband Pty Ltd
COSOL Ltd

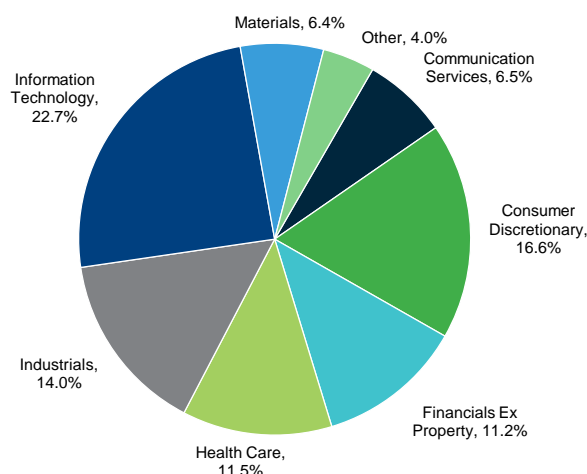
Stock attribution
Top 3
Booktopia Group Ltd
Sovereign Cloud Holdings Ltd
Mesoblast Limited
Bottom 3
Mcperson'S Limited
Viva Leisure Ltd
Independence Group NL

Data Source: Fidante Partners Limited, 31 December 2020.

Fund features
An actively managed portfolio of microcap companies: Lennox invests using in-depth fundamental research coupled with selective quantitative screening to identify investment opportunities.
Experienced investment team: The investment team has a long and successful history investing in Australian small and microcap companies.
A refined and tested investment process: Lennox have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
Risk aware: Lennox embed risk management at the centre of their investment philosophy and portfolio construction. This is considered a critical function given the inherent volatility in microcap equities.

Asset allocation	Actual %	Range %
Security	92.90	70-100
Cash	7.10	0-30

Sector exposure



Fund highlights

The Fund returned 1.77% (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 overweight positions in online book retailer Booktopia, cloud-based infrastructure provider Sovereign Cloud and biotech company Mesoblast. Booktopia rallied 13.0% in December as the stock listed on the ASX. Sovereign Cloud shares were up 37.3% for the month as it also 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.

The largest detractors from performance included overweight positions in consumer goods company McPhersons and gym operator Viva Leisure, as well as an underweight position in diversified miner IGO. 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. Viva Leisure fell 9.0% in December off no firm specific news as investors grew concerned about the potential short-term impacts of renewed lockdowns in Sydney. 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 participated in the Booktopia IPO. We believe the company's management team have demonstrated a clear competitive edge, as highlighted by its ability to grow market share in an increasingly competitive book retailing marketplace.

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.

For further information, please contact:

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