

Monthly Fact Sheet June 2021

| Performance ¹ | 3 month % | 1 year % | 2 years % p.a | 3 years % p.a | Inception % p.a ² |
|---|-----------|----------|---------------|---------------|------------------------------|
| Fund return (net) | 6.36 | 63.80 | 36.39 | 19.43 | 18.60 |
| S&P/ASX Small Ordinaries Accumulation Index | 8.50 | 33.23 | 12.06 | 8.59 | 9.15 |
| Active return | -2.14 | 30.57 | 24.33 | 10.84 | 9.45 |
| S&P/ASX Small Industrials Accumulation Index ³ | 7.29 | 32.98 | 10.91 | 9.39 | 9.74 |
| Active return | -0.93 | 30.81 | 25.48 | 10.04 | 8.86 |

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 | \$24.8M |
| Distribution frequency | Half-yearly |

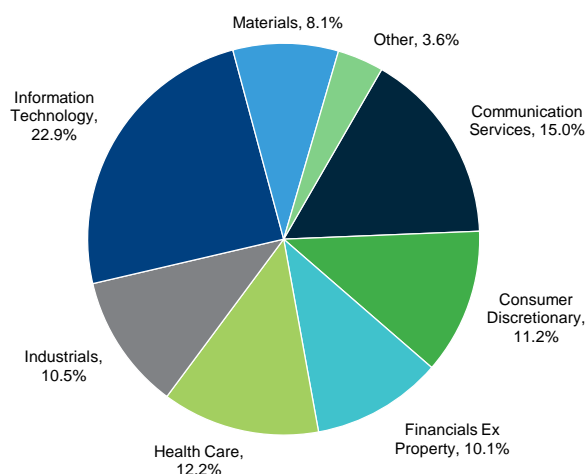
| Top 3 active positions (alphabetical) |
|---------------------------------------|
| Big River Industries Pty Ltd |
| Booktopia Group Ltd |
| Capitol Health Ltd |

| Stock attribution |
|--------------------------------|
| Top 3 |
| Trajan Group Holdings Ltd |
| Aussie Broadband Pty Ltd |
| Rhipe Ltd |
| Bottom 3 |
| Pentanet Ltd |
| COSOL Ltd |
| Access Innovation Holdings Ltd |

| 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 | 93.49 | 70-100 |
| Cash | 6.51 | 0-30 |

Sector exposure



Fund highlights

The Fund returned 0.68% (after fees) for the month of June, while the S&P/ASX Small Ordinaries Accumulation Index returned 3.08% and the S&P/ASX Small Industrials Accumulation Index returned 3.91% (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 medical devices company Trajan, internet service provider Aussie Broadband and cloud licensing company Rhipe. Trajan was rallied 34.7% from its IPO price in June after successfully listing on the ASX. Aussie Broadband was up 19.0% following the release of a market update late in May. The update announced an earnings before interest, tax, depreciation and amortisation (EBITDA) guidance upgrade to between \$17m and \$20m excluding IPO costs, up from a previous range of \$16m to \$19m. Shares in Rhipe jumped 14.2% prior to it entering a trading halt at the end of June, with no further information from the company as at the end of June.

The largest detractors from performance included overweight positions in internet service provider Pentanet, IT services company Cosol and technology company Access Innovation. Pentanet was down 21.1% in June following a capital raising to secure additional servers for a gaming service and secure exclusivity with partners, as well as to fast track its Terragraph rollout. We believe fundamentally the company has some attractive medium-term growth drivers and continue to hold. Cosol shares dropped 13.1% for the month off no company specific news. The company has undergone significant fundamental growth as at the last update and we believe it continues to remain an attractive investment opportunity. Shares in Access Innovation withdrew 9.4% with the only noticeable announcement for the month being a contract renewal. We believe the company has attractive long-term industry tailwinds which should help drive performance.

Market overview

Health Care was the best performing sector in June, up 7.4%, followed by Energy (+6.3%) and Real Estate (+4.3%). Materials was the worst performing sector over the past month, returning -0.1%, followed by Industrials (+0.9%) and Communication Services (+2.5%).

The top performers of the month were biotechnology company Telix, food product provider Bubs and home food provider Marley Spoon. Telix shares rallied 35.3% following the release of several clinical trial updates. Shares in Bubs rose 29.9% following the announcement of provision of its products in Walmart in the US. Marley Spoon shares were up 29.0% as various states returned to lockdown.

The worst performers of the month were miner De Grey, technology company Nuix and mortgage insurance provider Genworth. De Grey shares fell 20.6% as gold weakened in June. Shares in Nuix dropped 20.2% following the downgrade of its prospectus forecasts being released in late May. Genworth shares fell 19.7% following the announcement that Commonwealth Bank intends to issue a Request for Proposal after its current exclusivity deal with Genworth expires.

What's making waves

Following a sharp sentiment rebound in late FY20, the ASX Small Ordinaries Index continued its momentum through FY21 delivering a return of 30.2%. This was the second highest return for the benchmark in a financial year since the turn of the century and comfortably ahead of the 24.0% return delivered by the ASX200 Index. Cyclical stocks were the dominant driver of performance for the year as the market built confidence around a strong consumer recovery driven by Government stimulus. Another key narrative to develop over the period was sentiment regarding inflation. Driven by concerns of rampant inflation, the market rotated away from growth companies towards the more immediate cash flows delivered by value stocks. While the US Federal Reserve – as a proxy for global economies – has allayed these fears leading sentiment to shift towards transitory inflation, we have yet to observe a transition away from value companies. Despite numerous sentiment and narrative shifts through the year, we continue to maintain focus on our investment process identifying companies that we view as undervalued regardless of these short-term market machinations.

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