

Monthly Fact Sheet July 2021

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-0.13	31.28	10.75	10.02	15.19
S&P/ASX Small Ordinaries Accumulation Index	4.06	32.30	10.04	9.22	11.69
Active return	-4.19	-1.01	0.71	0.79	3.49
S&P/ASX Small Industrials Accumulation Index ³	2.29	31.94	8.45	9.27	10.48
Active return	-2.42	-0.66	2.30	0.75	4.71

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 28 April 2017

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	28 April 2017
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
Management fee	1.10% p.a.
Performance fee	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
Buy/sell spread	+0.39% / -0.39%
Fund size	\$327.1M
Distribution frequency	Half-yearly

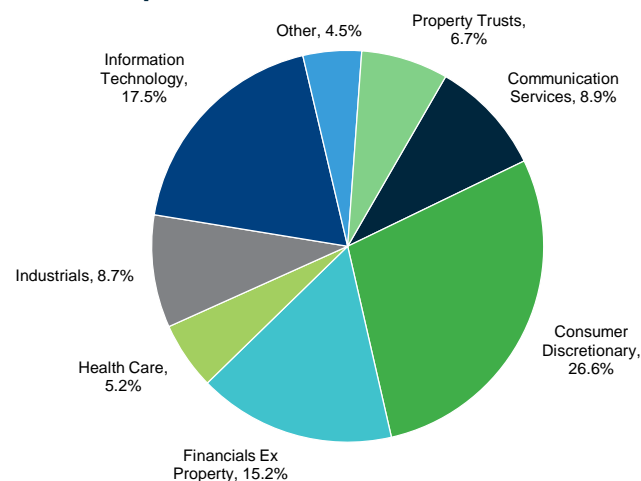
Top 3 active positions (alphabetical)
Bapcor Ltd
Corporate Travel Management Limited
Megaport Ltd

Stock attribution
Top 3
NRW Holdings Ltd
Viva Energy Group Ltd
Keypath Education International Inc
Bottom 3
Sezzle Inc
Megaport Ltd
oOh!media Ltd

Fund features
An actively managed portfolio of small companies: Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
Experienced investment team: The investment team has a long and successful history investing in Australian small and micro-cap 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.

Asset allocation	Actual %	Range %
Security	93.23	80-100
Cash	6.77	0-20

Sector exposure



Fund highlights

The Fund returned -2.39% (after fees) for the month of July, while the S&P/ASX Small Ordinaries Accumulation Index returned 0.68% and the S&P/ASX Small Industrials Accumulation Index returned -0.93% (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 mining services company NRW, fuel distributor and refiner Viva Energy and education technology platform provider Keypath Education. Shares in NRW rallied 16.4% in July as the company announced a multitude of contract wins. The company continues to trade at a compelling valuation and the volume of ongoing new work being announced provides confidence in the medium-term outlook of the business. Viva Energy shares rose 6.7% for the month as the company provided an operational update. In this update, it guided to a strong first half earnings before interest, tax, depreciation and amortisation (EBITDA) result, with demand rising across its non-aviation business. Keypath Education was up 8.4% as the company released its fourth quarter results. The results saw a comfortable beat on revenue compared with the recently upgraded guidance.

The largest detractors from performance included overweight positions in buy-now pay-later operator Sezzle, networking company Megaport and media company oOh!media. Sezzle shares withdrew 18.2% in July despite a significant investment from Discover Financial Services at a premium to the prevailing share price. The company also released its quarterly report at the end of July, with 118.7% growth in merchant sales. With Square launching a takeover offer for Afterpay and Sezzle continuing to execute well on its fundamentals, we remain confident on the medium-term outlook for the company. Shares in Megaport pulled back 9.8% for the month despite strong growth in ports added for the quarter. We believe this has been driven by the share price strength in recent months, with the company continuing to execute solidly. oOh!media fell 6.6% in July off the back of no company specific news. We believe the company has been sold off on short-term concerns relating to lockdowns and continue to hold it due to the compelling valuation with a medium-term horizon.

During the month, the fund topped up its position in quick service restaurant operator Collins Foods. Collins shares were sold off following the result announcement near the end of June and have remained weak since. We see this share price weakness as an opportunity to increase our exposure to a high-quality store rollout story at an attractive price.

Market overview

Materials was the best performing sector in July, up 5.8%, followed by Energy (+5.8%) and Industrials (+4.5%). Health Care was the worst performing sector over the past month, returning -3.6%, followed by Consumer Staples (-2.3%) and Financials (-2.2%).

The top performers of the month were mining services company Perenti, miner Orocobre and miner Galaxy. Perenti shares rose 35.8% for the month as it secured multiple contract wins, taking its book to \$6.6bn. Shares in Orocobre rose 27.5% on the back of realised mineral pricing increases. Galaxy shares were up 27.0% as it produced record production numbers at Mt Cattlin, significantly ahead of forecasts.

The worst performers of the month were food kit company Marley Spoon, miner Piedmont Lithium and biotech company PolyNovo. Marley Spoon shares fell 30.7% following a cut in margin guidance. Shares in Piedmont Lithium dropped 28.3% as a class action lawsuit was filed against it. PolyNovo shares fell 20.2% as it reported book to market (BTM) revenue growth of 34%.

What's making waves

While July saw renewed lockdowns affecting various parts of Australia, markets continued to remain resilient. While industrials were weak, strength in materials offset the declines, likely driven by inflation coming in above expectations. Interestingly, the month witnessed a divergence between yields and inflation, with both Australian and US yields pulling back significantly. Australian 10-year bond yields had fallen 35 basis points down to 1.18% at month close. Despite declining risk-free rates and the pervasive view that the spike in inflation will be transitory, growth names lagged for the month. Overlaying this was an increase in corporate activity, with a step-change in M&A deals and other corporate activity showing no signs of slowing down. These deals skewed towards large caps, with the \$39b Afterpay takeover by Square just after the end of July coming in as the largest deal in Australia's corporate history. While takeovers typically offer compelling exits to investments, they do not form part of the Lennox process, which instead focuses on identifying fundamentally attractive businesses at compelling prices.

For further information, please contact:

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