

### Monthly Fact Sheet August 2021

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)	7.13	43.18	32.19	22.07	19.70
S&P/ASX Small Ordinaries Accumulation Index	8.95	29.51	14.94	10.09	10.39
Active return	-1.82	13.67	17.25	11.98	9.31
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	9.22	27.76	13.39	9.86	10.79
Active return	-2.09	15.42	18.79	12.21	8.91

**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 31 January 2018

<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>	31 January 2018
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)
<b>Management fee</b>	1.30%
<b>Performance fee</b>	20% 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>	+0.50% / -0.50%
<b>Fund size</b>	\$29.1M
<b>Distribution frequency</b>	Half-yearly

Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Booktopia Group Ltd
Infomedia Ltd

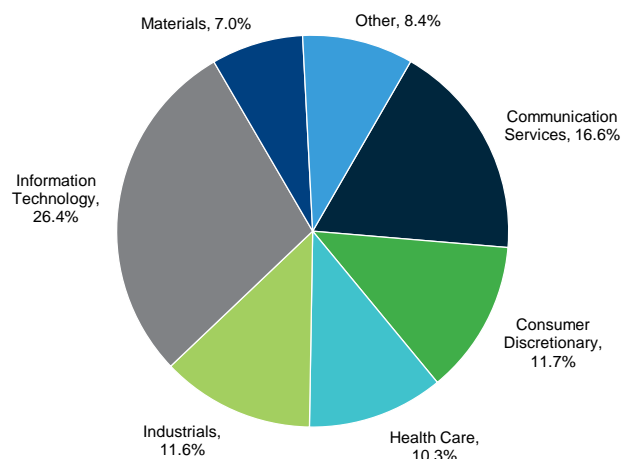
Stock attribution
<b>Top 3</b>
Aussie Broadband Pty Ltd
Family Zone Cyber Safety Ltd
Laybuy Group Holdings Ltd
<b>Bottom 3</b>
Keypath Education International Inc
Spirit Technology Solutions Ltd
Alliance Aviation Services Limited

Data Source: Fidante Partners Limited, 31 August 2021.

Fund features
<b>An actively managed portfolio of microcap companies:</b> Lennox invests using in-depth fundamental research coupled with selective quantitative screening to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and microcap 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. This is considered a critical function given the inherent volatility in microcap equities.

Asset allocation	Actual %	Range %
Security	92.14	70-100
Cash	7.86	0-30

### Sector exposure



## Fund highlights

The Fund returned 6.4% (after fees) for the month of August, while the S&P/ASX Small Ordinaries Accumulation Index returned 5.0% and the S&P/ASX Small Industrials Accumulation Index returned 6.1% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included communications company Aussie Broadband, systems software company Family Zone Cyber Safety and buy-now-pay-later company Laybuy Group Holdings. Aussie Broadband rallied 40.4% as the company announced a deal with Telstra to provide fibre and data centre connectivity, further buoyed by expectations of a strong FY21 result. Family Zone Cyber Safety rose 9.4% for the month as Lennox Capital participated in a capital raising at a discount following the Q4 result in late July. Laybuy Group Holdings added 27.9% as it reported a strong 1Q22 result, with revenues up 70% on the prior comparable period.

The largest detractors from performance included education services operator Keypath Education, alternative carriers company Spirit Technology Solutions and airlines company Alliance Aviation Services. Keypath Education was down 15.0% in August after very strong trading in the previous month. Despite a strong fourth quarter result announced in July, the stock traded downwards as the broader market took profits. Spirit Technology Solutions shares dropped 16.3% for the month despite releasing FY21 results in line with guidance, as the market grew concerned with the impact of lockdowns. We believe the market is overstating the short-term impacts of the lockdowns on the business, creating a medium-term opportunity. Alliance Aviation Services dropped 6.9% in August after announcing its FY21 results broadly in line with consensus. We believe the market is underappreciating the company's growth potential due to the lockdown overhang.

## Market overview

Communication Services was the best performing sector in August, up 9.8%, followed by Consumer Staples (+8.2%) and Financials (+8.0%). Materials was the worst performing sector over the past month, returning -0.9%, followed by Industrials (-0.7%) and Information Technology (+2.5%).

The top performers of the month were personal products company Blackmores, biotechnology company Clinuvel and diversified metals and mining business loneer. Blackmores shares rose 37.4% for the month due to a positive China/International segment outlook. Shares in Clinuvel rose 35.6% off the back of strong revenue and earnings results, followed by broker upgrades. loneer shares were up 34.1% off the back of a new engineering design contract and the gains realised by the broader lithium industry.

The worst performers of the month were steel company Mt Gibson Iron, steel company Champion Iron and retailer Accent Group. Mt Gibson Iron and Champion Iron shares lost 29.1% and 22.5%, respectively, as Iron Ore fell 15.4%. Shares in Accent Group dropped 21.2% due to a weak trading update for the first seven weeks of FY22 (LFL down 16%).

## What's making waves

While August saw continued lockdowns affecting various parts of Australia, markets were largely moved by FY21 reporting season. Strength was largely driven by Small Industrials, which outperformed Small Resources. The beats to miss ratio was high, with the market recording an overall 38% earnings growth, as the economy recovered faster than anticipated by the market. Notwithstanding the results, trading updates for the initial eight weeks of FY22 were impacted by extended lockdowns (primarily NSW and VIC). This caused limited future visibility, resulting in a drag on returns for the month due to downgraded forecasts for this period and FY23. The substantial negative price impact of this was seen in brick-and-mortar store businesses, travel and leisure. Businesses with offshore exposure performed strongly off the back of the reopening trade, further buoyed by strong balance sheets. Sectors that saw upgrades were Health Care, Insurance and Construction Materials. Furthermore, corporate activity was also a major theme this reporting season with many businesses raising capital, engaging in M&A and reinstating dividend policies.

**For further information, please contact:**

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This material has been prepared by Lennox Capital Partners Pty Ltd (ABN 19 617 001 966, AFSL 498737) Lennox, the investment manager of the Lennox Australian 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. Alphinity 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, Alphinity 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.