

### 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)	7.52	24.23	15.29	11.63	16.54
S&P/ASX Small Ordinaries Accumulation Index	8.95	29.51	14.94	10.09	12.70
Active return	-1.43	-5.28	0.35	1.54	3.84
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	9.22	27.76	13.39	9.86	11.77
Active return	-1.71	-3.53	1.89	1.78	4.76

**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>	\$359.9M
<b>Distribution frequency</b>	Half-yearly

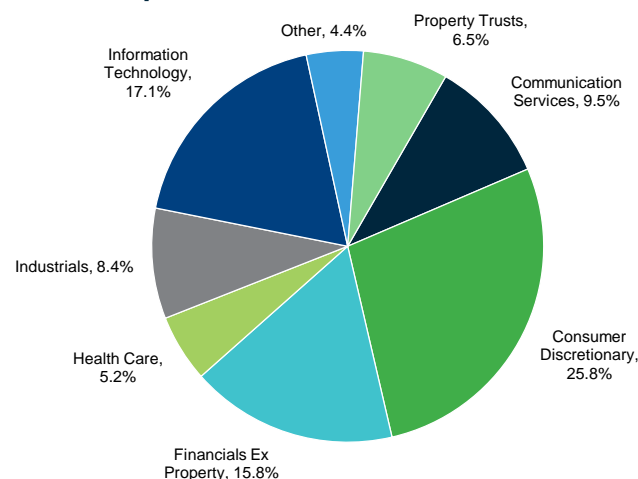
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Collins Foods Ltd
Corporate Travel Management Limited

Stock attribution
<b>Top 3</b>
Aussie Broadband Pty Ltd
Lovisa Holdings Limited
Infomedia Ltd
<b>Bottom 3</b>
Keypath Education International Inc
Bapcor Ltd
Sezzle Inc

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	92.65	80-100
Cash	7.35	0-20

### Sector exposure



## Fund highlights

The Fund returned 6.51% (after fees) for the month of August, while the S&P/ASX Small Ordinaries Accumulation Index returned 4.98% and the S&P/ASX Small Industrials Accumulation Index returned 6.10% (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 communications company Aussie Broadband, jewellery retailer Lovisa and application software company Infomedia. Shares in Aussie Broadband rallied 40.4% in August as the company announced a deal with Telstra to provide fibre and data centre connectivity, further buoyed by expectations of a strong FY21 result. The business continues to grow its pipeline with the fibre work on track, providing confidence in the medium-term outlook. Lovisa Holdings was up 25.3% as the company released its FY21 results in line with consensus. The trading update for the first eight weeks of FY22 was strong, with LFLs up 38% (open stores) with only approximately 20% of stores impacted by lockdowns. The business is well positioned for further growth with strong balance sheet capacity for a continued store roll-out. Infomedia shares rose 26.8% for the month of August as the company released its FY21 result. Revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) were moderately ahead of consensus expectations, reflecting in the stock performance. Furthermore, the business also added commentary around contract wins and improving activity upon global reopening.

The largest detractors from performance included overweight positions in education platform Keypath Education, car parts company Bapcor and lithium miner Pilbara Minerals. Keypath Education shares withdrew 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. Shares in Bapcor pulled back 9.8% for the month as released its FY21 result. The business reported a mild beat on consensus expectations however the stock continued to fall due to uncertainty regarding the extended lockdowns. BAP is expanding its private label and focused on mitigating global supply chain issues – a relatively strong business fundamentally. Pilbara Minerals added 26% for the month, however Lennox does not hold it in the funds and was negatively impacted by the underweight position relative to the market. The stock realised positive returns buoyed by the underlying strength in the lithium industry for the month.

During the month of August, the fund added payments solutions company Tyro into the portfolio after the FY21 result. Tyro Payments' underlying result was in line with consensus and the price opened a compelling entry opportunity. The fund also topped up its position in financial software business Bravura Solutions as the shares were sold off following the FY21 result announcement. Bravura Solutions missed the mark on consensus expectations and pulled back significantly, offering an attractive entry point. There was also a prudent trimming of the position in LOV – taking advantage of the strong rally following the release of its results.

## 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 Ioneer. 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. Ioneer 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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