

Monthly Fact Sheet September 2021

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	6.17	27.77	14.71	12.87	16.76
S&P/ASX Small Ordinaries Accumulation Index	3.44	30.41	12.27	9.41	11.90
Active return	2.73	-2.65	2.43	3.46	4.86
S&P/ASX Small Industrials Accumulation Index ³	3.79	29.07	10.90	9.53	11.22
Active return	2.38	-1.31	3.81	3.34	5.54

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	\$366.2M
Distribution frequency	Half-yearly

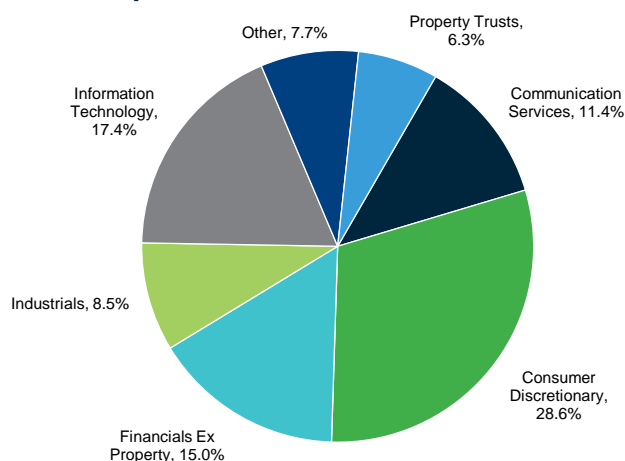
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Collins Foods Ltd
Corporate Travel Management Limited

Stock attribution
Top 3
Aussie Broadband Pty Ltd
SmartGroup Corp Ltd
Viva Energy Group Ltd
Bottom 3
NRW Holdings Ltd
Flight Centre Travel Group Limited
Whitehaven Coal 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	95.00	80-100
Cash	5.00	0-20

Sector exposure



Fund highlights

The Fund returned 2.13% (after fees) for the month of September, while the S&P/ASX Small Ordinaries Accumulation Index returned -2.14% and the S&P/ASX Small Industrials Accumulation Index returned -1.26% (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 NBN reseller Aussie Broadband, automotive leasing company SmartGroup and fuel retailer Viva Energy. Aussie Broadband rallied 28.3% in September as the Company successfully completed a capital raising for M&A opportunities that are expected to be complimentary and earnings accretive. Smartgroup rose 21.4% following the receipt of a non-binding bid of \$10.35 per share (~31.7% to prev. closing price). The bid was made by a consortium of bidders (PE/Super Funds) and remain in their due diligence process before a formal bid can be lodged and recommended by the board. Viva Energy rallied 13.2% in September due to continued oil price strength and generally positive sentiment towards the re-opening trade.

The largest detractors from performance included mining and construction contractor NRW Holdings, travel agent Flight Centre and miner Whitehaven Coal. NRW Holdings fell 15.0% in September due to continued weakness in the iron ore price which we view as overdone with only 17% of the business exposed to iron ore. Flight Centre rallied 30.8% due to improving sentiment towards the resumption of global travel. Whitehaven Coal rose 27.7% following strong rallies in both thermal and metallurgical coal prices which continue to benefit from favourable supply demand dynamics.

During the month, the fund topped up its position in fast fashion retailer Universal Stores. Universal presents exposure to an attractive growth story in the Australian retail space driven by its strong track record of double digit LFL sales growth, ongoing store roll-out strategy, ongoing mix shift towards higher margin private label brands and a significant runway to improve online sales penetration vs peers.

Market overview

Energy was the best performing sector in September, up 18.1%, followed by Communication Services (+1.3%) and Consumer Discretionary (+1.0%). Materials was the worst performing sector over the quarter, returning -7.6%, followed by Information Technology (-5.1%) and Financials (-3.3%).

The top performers for the month were oil producer Beach Petroleum, followed by travel agent Flight Centre and coal miner Whitehaven. Beach Petroleum was up 41.0% following continued oil price strength and a well-received company strategy day. Flight Centre rallied 30.8% due to improving sentiment towards the resumption of travel. Whitehaven Coal rose 27.7% following strong rallies in both thermal and metallurgical coal prices which continue to benefit from favourable supply demand dynamics.

The worst performers for the month were uranium miner Paladin, meal kit provider Marley Spoon, and manufacturer PPK Group. Paladin sold off 33.0% following a strong share price rally into its inclusion to the ASX300 index. Marley Spoon shares fell 29.9% following a downgrade to contribution margin guidance and the sell down from strategic investor, Woolworths. PPK Group's share price dropped 26.4% following a strong share price rally into its inclusion to the ASX300 index.

What's making waves

Equity markets eased across the month of September following a strong performance through the August reporting season which delivered a strong beat to miss ratio driven by buoyant economic conditions locally. The re-opening of economies in key northern hemisphere markets saw cost inflation pressures remain in focus. Factors such as elevated commodity prices, increasing freight costs, supply chain disruptions and tightness in the labour market have been repeatedly called out as challenging themes by management teams. This environment has given investors a good opportunity to readdress the ability of different business models to mitigate increased cost pressures through repricing and cost optimisation. The bottom up approach we apply to stock selection at Lennox naturally guides us to business models with high quality attributes that on the whole leave our portfolio well placed to navigate a wide range of macroeconomic conditions including but not limited to an inflationary environment.

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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 Small Companies 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 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. Lennox 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, Lennox 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..