

Monthly Fact Sheet December 2021

| Performance ¹ | 3 month % | 1 year % | 2 years % p.a | 3 years % p.a | Inception % p.a ² |
|---|-----------|----------|---------------|---------------|------------------------------|
| Fund return (net) | -3.37 | 14.59 | 15.49 | 16.55 | 14.95 |
| S&P/ASX Small Ordinaries Accumulation Index | 2.03 | 16.90 | 12.98 | 15.71 | 11.70 |
| Active return | -5.40 | -2.31 | 2.51 | 0.84 | 3.24 |
| S&P/ASX Small Industrials Accumulation Index ³ | -1.22 | 13.67 | 9.73 | 14.45 | 10.30 |
| Active return | -2.14 | 0.92 | 5.76 | 2.10 | 4.65 |

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 | \$343.1M |
| Distribution frequency | Half-yearly |

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

| Stock attribution |
|------------------------------|
| Top 3 |
| Vulcan Steel Ltd |
| Novonix Ltd* |
| Kelsian Group Ltd |
| Bottom 3 |
| Booktopia Group Ltd |
| Aussie Broadband Pty Ltd |
| Universal Store Holdings Ltd |

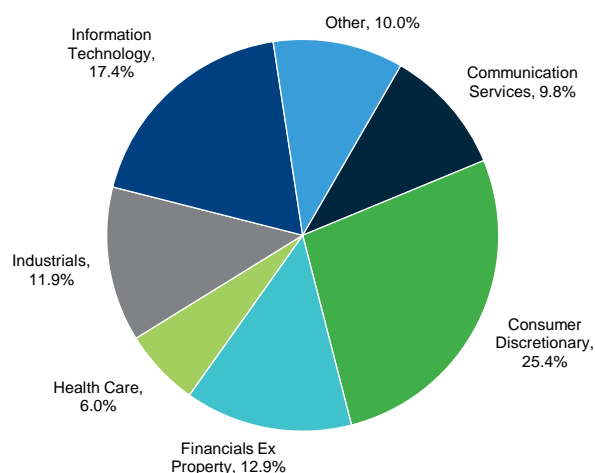
*Not held

Data Source: Fidante Partners Limited, 31 December 2021.

| 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 | 93.44 | 80-100 |
| Cash | 6.56 | 0-20 |

Sector exposure



Fund highlights

The Fund returned 0.3% (after fees) for the month of December, while the S&P/ASX Small Ordinaries Accumulation Index returned 1.4% and the S&P/ASX Small Industrials Accumulation Index returned 0.5% (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 steel distributor Vulcan Steel, battery materials company Novonix along with tourism and transportation business Kelsian Group. Vulcan Steel rallied 18.8% in December as it released a trading update with an upgraded earnings guidance. Novonix was down 23.1% over the period off the back of news relating to Tesla sourcing graphite from China. Lennox does not hold NVX and was positively impacted by the underweight position relative to the benchmark. Kelsian Group was up 14.6% in December as it was awarded a retention of the Kangaroo Island ferry services contract for 15-years with options to extend for another 10 years.

The largest detractors from performance included ecommerce business Booktopia, internet network operator Aussie Broadband and youth apparel retailer Universal Store. Shares in Booktopia were down 35.7% in December after a weak trading update, in which management called out cost inflation and distribution bottlenecks due to COVID-19. Aussie Broadband lost 9.2% for the month of December as the market considered whether the acquisition of Over The Wire may be slightly dilutive in the near-term. While Universal Store was down 10.6% in December as the Omicron variant became rampant across the country, hampering optimism for youth apparel retail.

During the month, Lennox topped up its position in the hotel commerce platform operator Siteminder. The business has been growing significantly within a large addressable market, with a long runway ahead. We continue to believe the growing number of hotel subscribers and average revenue per user will lead to higher recurring revenue.

Market overview

Real Estate was the best performing sector in December, up 7.4%, followed by Consumer Staples (+5.6%) and Energy (5.3%). Information Technology was the worst performing sector over the month, returning -5.2%, followed by Financials (-1.4%) and Consumer Discretionary (-0.8%).

The top performers for the month were oil and gas producer Strike Energy, followed by IVF provider Virtus Health and pharmaceuticals business Starpharma. Strike Energy was up 32.3% as it reported drilling results and received a government grant towards Project Haber. Virtus Health added 28.8% as it received an unsolicited, non-binding indication of interest from BGH Capital at \$7.10 per share. Lastly, Starpharma was up 23.5% as VIRALEZE launched in Vietnam and registered in Saudi Arabia.

The worst performers for the month were cancer research company Imugene, buy-now-pay-later provider Sezzle, and audio software business Dubber. Imugene was down 27.3% for the month of December as it entered into an underwriting agreement for the remaining ASX-listed IMUOB options. Sezzle fell 24.7% as the BNPL sector was under continued pressure as the RBA pushes providers to remove surcharge rules. Finally, Dubber lost 23.5% due to muted broker sentiment – expecting accelerating subscriber growth.

What's making waves

Environmental, Social and Governance "ESG" aware investing continues to make waves. ESG screening has always been an integral part of Lennox's investment process – our belief is that transparent, well governed businesses that do not cause environmental or social damage should outperform over the long term. As awareness and popularity of sustainable investing increases, listed businesses have started to report the environmental and social impact of their operations. With this data now available we can provide our investors with important ESG metrics on the portfolio they invest in. Below shows the carbon intensity of the small companies' portfolio and its benchmark, the ASX Small Ordinaries Index.

| Total Carbon Emissions | Lennox ASCF | ASX Small Ordinaries Index |
|---|-------------|----------------------------|
| Total Carbon Intensity Scope 1+2 | 67 | 130 |

The Lennox portfolio produces around 50% less emissions than its benchmark. Through stock selection and engagement with investment companies we intend to reduce this further. Going forward we will continue to provide this and other ESG data.

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 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.