

### Monthly Fact Sheet December 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)	-9.81	4.18	23.06	24.28	15.01
S&P/ASX Small Ordinaries Accumulation Index	2.03	16.90	12.98	15.71	9.42
Active return	-11.84	-12.71	10.08	8.57	5.59
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	-1.22	13.67	9.73	14.45	9.13
Active return	-8.59	-9.49	13.33	9.83	5.89

**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>	\$36.2M
<b>Distribution frequency</b>	Half-yearly

Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
DDH1 Ltd
Dexus Convenience Retail REIT

Stock attribution
<b>Top 3</b>
Monash IVF Group Limited
Trajan Group Holdings Ltd
Novonix Ltd*
<b>Bottom 3</b>
Step One Clothing Pty Ltd*
Booktopia Group Ltd
Nitro Software Ltd

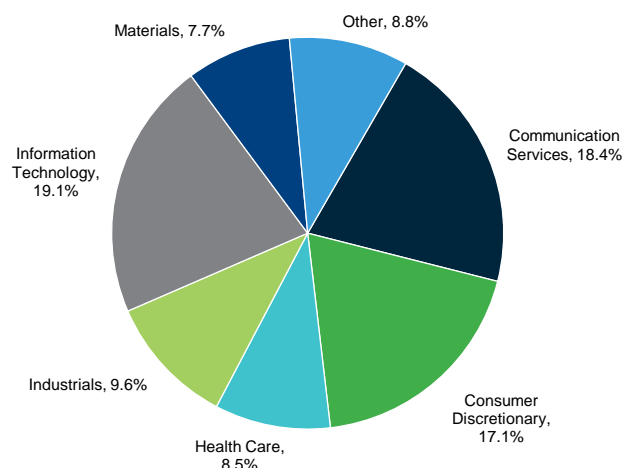
\*Not held

Data Source: Fidante Partners Limited, 31 December 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	89.30	70-100
Cash	10.70	0-30

### Sector exposure



## Fund highlights

The Fund returned -5.5% (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 0.8% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included IVF provider Monash IVF Group, life sciences company Trajan Group Holdings and battery materials business Noxonix. Monash IVF was up 13.9% in December as its main competitor Virtus Health received a non-binding indication of interest from BGH Capital for \$7.10 per share. Trajan Group Holdings was up 16.8% as the business made two small acquisitions during the month (LEAP parts and Neoteryx), consistent with the business's growth strategy. While 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.

The largest detractors from performance included men's underwear retailer Step One Clothing, ecommerce company Booktopia Group and PDF productivity business Nitro Software. Step One Clothing was down 42.4% during the month due to an underwhelming trading update with logistics bottlenecks severely impacting on the crucial November/December trading period. Shares in Booktopia were down 35.7% in December after a weak trading update, in which management called out cost inflation and staff issues relating to COVID-19. Nitro Software lost 30.1% off the back of DocuSign releasing a weak Q4 guidance to the market and subsequently selling off 30%.

During the month, Lennox topped up its position in Nitro Software (NTO). The business has a strong footing in PDF productivity and has grown rapidly in this segment due to competitive pricing. Following the recent acquisition of Connectiv, NTO is entering the eSign space as well. We saw the recent price volatility as an overreaction to the weak DocuSign guidance.

## 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

Equity markets remained volatile during December as investors contemplated macro factors such as the impact of inflation and interest rates on stock valuations. This saw many "growthier" companies being sold off as longer-term earnings and cash flow are devalued with higher discount rates. Markets were also reminded of the potentially lingering impact of COVID-19 with the newly emerged omicron variant causing supply chains issues globally, particularly focused on tightness in labour markets. While these issues are always worthy of serious consideration, we believe in looking through such short-term matters. The bottom-up approach we apply to stock selection coupled with a medium-term valuation targets naturally guide us to business models that we believe will deliver returns for our investors through time regardless of the prevailing macro environment.

**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. 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.