

Monthly Fact Sheet January 2022

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-15.42	-3.49	16.97	21.15	12.59
S&P/ASX Small Ordinaries Accumulation Index	-7.99	6.65	6.01	10.12	6.67
Active return	-7.43	-10.14	10.96	11.02	5.91
S&P/ASX Small Industrials Accumulation Index ³	-10.39	2.31	2.11	8.84	6.15
Active return	-5.04	-5.80	14.86	12.31	6.44

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 31 January 2018

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	31 January 2018
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)
Management fee	1.30%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
Buy/sell spread	+0.50% / -0.50%
Fund size	\$34.6M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
DDH1 Ltd
Dexus Convenience Retail REIT
Infomedia Ltd

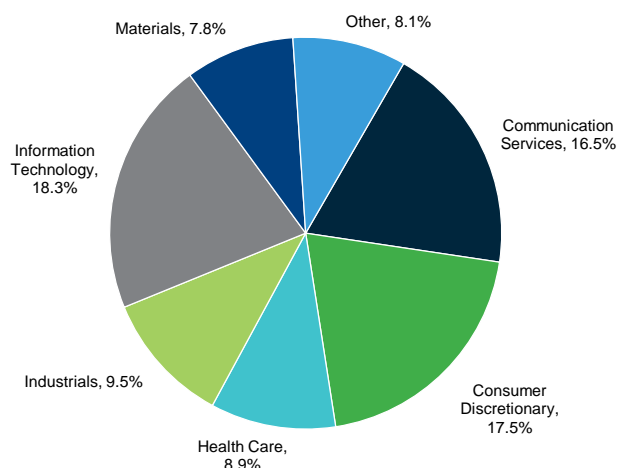
Stock attribution
Top 3
Trajan Group Holdings Ltd
Keypath Education International Inc
Infomedia Ltd
Bottom 3
Nitro Software Ltd
Pentanet Ltd
Australian Finance Group Ltd

Data Source: Fidante Partners Limited, 31 January 2022.

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

Asset allocation	Actual %	Range %
Security	86.47	70-100
Cash	13.53	0-30

Sector exposure



Fund highlights

The Fund returned -7.1% (after fees) for the month of January, while the S&P/ASX Small Ordinaries Accumulation Index returned -9.0% and the S&P/ASX Small Industrials Accumulation Index returned -9.8% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included life sciences company Trajan Group Holdings, digital education provider Keypath Education and automotive software provider Infomedia. Trajan was up 7.7% in January as the company bedded down two small acquisitions announced in December (LEAP parts and Neoteryx), consistent with the business's growth strategy. Keypath was up 2.1% over the period as it delivered a January trading update that reaffirmed the Company remains on track to deliver another strong year of growth and meet its guidance for FY22. Infomedia was down 2.0% for the month on no Company specific news, a resilient outcome in a difficult market for the technology sector.

The largest detractors from performance included PDF productivity provider Nitro Software, telecommunications provider Pentanet and wholesale mortgage provider Australian Finance. Nitro Software was down 25.1% through the month of January on the back of continued selling pressure across the technology sector and a December quarter update that slightly missed market expectations. Pentanet was down 26.4% despite releasing its quarterly cash flow in line with the market's expectations. Shares in Australian Finance fell 18.5% on no company specific news but was brought down in line with the draw down across the financial sector in January.

During the month, Lennox topped up its position fast fashion retailer Universal Stores. Despite the impact of various COVID lockdowns, Universal delivered a resilient trading update ahead of expectations which had rebased too far on the downside. Overall, the company continues to execute on its two key growth drivers being its store roll-out strategy and mix shift towards higher margin private label. We were also impressed by the Company's ability to effectively manage its inventory through what has been a difficult trading period for all retailers domestically.

Market overview

Energy was the best performing sector in January, down 0.1%, followed by Communication Services (-5.2%) and Industrials (-6.7%). Healthcare was the worst performing sector over the month, returning -17.5%, followed by Financials (-12.3%) and Information Technology (-11.2%).

The top performers for the month were neuro technology company Brainchip Holdings, followed by iron ore miner Champion Iron and energy producer Beach Petroleum. Brainchip was up 109.6% after it reported to be working with Mercedes on the Vision EQXX EV concept car. Champion Iron rose 18.6% after spot Iron ore prices continued to surge across the month of January. Lastly, Beach Petroleum rallied 17.5% due to a strong rebound in the spot price of Brent crude.

The worst performers for the month were software providers Pro Medicus and Megaport along with the listed fund manager Pinnacle Investments. Pro Medicus was down 27.8% for the month of January on no company specific news but was weighed down by general weakness in the technology sector. Megaport fell 27.8% after it delivered its 2Q22 quarterly update without an acceleration in top-line growth despite higher incremental costs. Finally, Pinnacle lost 27.7% due to its exposure to fund managers with growth mandates which are expected to drive a step down in performance fees over the coming period.

What's making waves

Equities faced a difficult month in January as markets continued to grapple with the prospect of rising interest rates in response to accelerating inflation. Surging Omicron case numbers across the East Coast presented a difficult Christmas trading period for companies exposed to discretionary retail in Australia. Issues such as ongoing inflationary cost pressures, operational disruptions (staff absenteeism) and waning consumer sentiment have all weighed on various trading updates released ahead of the February reporting season. E-commerce names were materially weaker across the month of January following soft updates from Kogan and Redbubble which both highlighted upward pressure on customer acquisition costs and moderating top-line growth as the tailwinds from COVID induced lockdowns unwind on consumer behaviour.

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 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.