

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)	-10.76	3.03	8.11	11.26	12.29
S&P/ASX Small Ordinaries Accumulation Index	-7.99	6.65	6.01	10.12	9.30
Active return	-2.77	-3.62	2.10	1.14	3.00
S&P/ASX Small Industrials Accumulation Index ³	-10.39	2.31	2.11	8.84	7.74
Active return	-0.37	0.71	6.00	2.43	4.55

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	\$311.5M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Corporate Travel Management Limited
Vulcan Steel Ltd

Stock attribution
Top 3
Vulcan Steel Ltd
Keypath Education International Inc
Pro Medicus Limited*
Bottom 3
FINEOS Corp Holdings PLC
Technology One Limited
BrainChip Holdings Ltd*

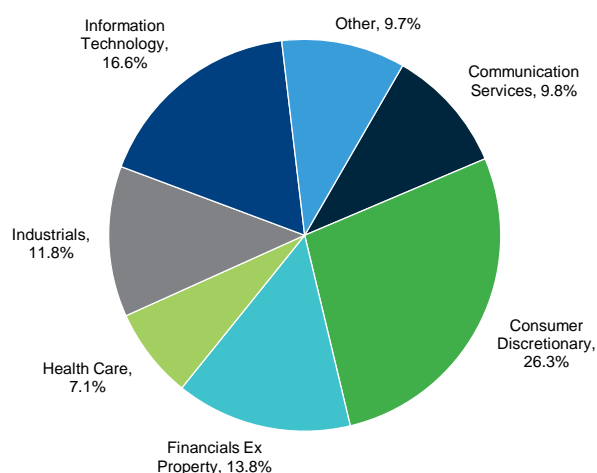
*Not held

Data Source: Fidante Partners Limited, 31 January 2022.

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	95.21	80-100
Cash	4.79	0-20

Sector exposure



Fund highlights

The Fund returned -9.5% (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 overweight positions in steel distributor Vulcan Steel and digital education provider Keypath Education along with an underweight position in software provider Pro Medicus. Vulcan Steel was down 1.6% in January as it continued to benefit from buoyant trading conditions across the steel industry. 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. Pro Medicus lost 27.8% for the month of January on no company specific news but was weighed down by general weakness in the technology sector. Lennox does not hold Pro Medicus and was positively impacted by an underweight position relative to the benchmark.

The largest detractors from performance included overweight positions in software providers FINEOS and Technology One along with an underweight position in neuro technology company Brainchip Holdings. Shares in FINEOS were down 23.0% in January due to general weakness in the technology sector despite reaffirming FY22 guidance in line with market expectations. Shares in Technology One were down 18.6% across the month on the back of general weakness in the technology sector. Brainchip was up 109.6% after it reported to be working with Mercedes on the Vision EQXX EV concept car. Lennox does not hold a position in Brainchip Holdings and was negatively impacted by an underweight position relative to the benchmark.

During the month, Lennox topped up its position in wealth platform provider HUB24. The business continues to grow its Funds Under Administration (FUA) through market share gains from large incumbent players who continue to be outpaced by the superior product offerings provided by independent platform providers such as HUB24. We continue to believe the tailwinds driving the material growth opportunity in front of HUB24 remain intact over the medium term.

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 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.