

Monthly Fact Sheet July 2022

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-13.16	-26.85	4.97	6.09	6.19
S&P/ASX Small Ordinaries Accumulation Index	-9.94	-10.93	8.58	2.55	4.32
Active return	-3.22	-15.93	-3.61	3.54	1.87
S&P/ASX Small Industrials Accumulation Index ³	-6.85	-14.24	6.40	0.29	3.49
Active return	-6.31	-12.62	-1.43	5.81	2.69

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	\$32.3M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
Autosports Group Ltd
Nearmap Ltd
SRG Global Ltd

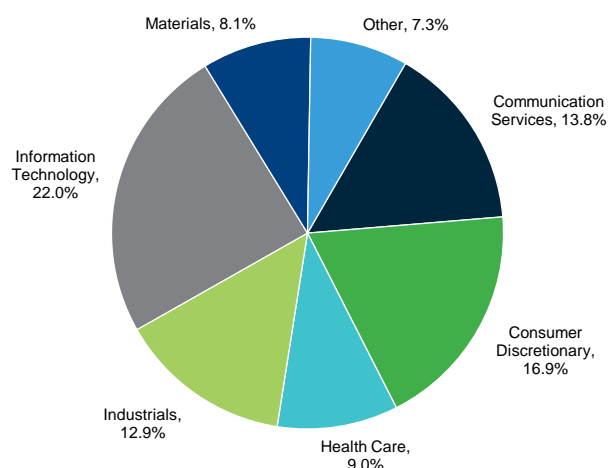
Stock attribution
Top 3
Nearmap Ltd
Airtasker Ltd
FINEOS Corp Holdings PLC
Bottom 3
Alliance Aviation Services Limited
Big River Industries Pty Ltd
Nitro Software Ltd

Data Source: Fidante Partners Limited, 31 July 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	89.96	70-100
Cash	10.04	0-30

Sector exposure



Fund highlights

The Fund returned +9.8% (after fees) for the month of July, while the S&P/ASX Small Ordinaries Accumulation Index returned 11.4% and the S&P/ASX Small Industrials Accumulation Index returned +11.8% (the Small Industrials index excludes mining and energy companies, which the Fund does not invest in).

The largest contributors to performance for the month of July included overweight positions in aerial imaging company Nearmap, services marketplace Airtasker and insurance software provider FINEOS Corp Holdings. Strong demand for Nearmap location data from US federal agencies prompts the business to stake claim as an approved vendor on the GSA, leading to a share price increase of 35% over July. Airtasker was up 54% after the business reported a quarterly result that was not as bad as feared, given challenging operating conditions.

The largest detractors from performance included aviation services provider Alliance Aviation Services, timber producer and distributor Big River Industries and PDF productivity/e-sign software business Nitro Software. Shares in Alliance Aviation Services were down 9.8% in July off no company-specific news, rather fear of reduced utilisation of the fleet. Big River Industries lost 4.7% off the back of no company-specific news. Finally, Nitro Software was down 11.6% after the company a trading update – noting a soft ARR.

During the month, Lennox added Siteminder Limited to the Microcap portfolio, seeing opportunity in the long-term ability of the business to continually grow ARR (more than 25% ARR growth year-on-year in the fourth quarter of FY22) and deliver cash flow.

Market overview

The S&P/ASX Small Industrials Index was up 11.8% during the month, outperforming the Small Resources Index which was up 10.2% in July. The S&P/ASX Small Ordinaries Index was up 11.4% in July, outperforming the S&P/ASX100 by 6.1%.

Health Care was the best performing sector in July, up 22.7%, followed by Information Technology (+17.7%) and Financials (+14.5%). Consumer Staples was the worst performing sector over the month, down 2.8%, followed by Materials (+8.5%) and Communication Services (+9.2%).

The top performers for the month were buy-now-pay-later provider Zip Co, network platform Megaport and online retail marketplace Kogan.com. Zip Co Zip Co decided with Sezzle to terminate the merger agreement and was up 158%. Megaport added 77.8% after a well-received quarterly result – printing 12.6% sequential growth. Finally, Kogan.com was up 65.8% as it guided to FY22 EBITDA above consensus (better costs in 4Q).

The worst performers for the month were data company Nuix, payments software EML Payments and agriculture business Australian Agricultural Company. Nuix was down 19.7% after guiding to \$10-12m EBITDA for FY22 (vs \$66m in pcp). EML Payments lost 14.6% after the CEO resignation and announcement of additional CBI remediations needed. Australian Agricultural Company took away 14.4% off no company-specific news.

What's making waves

Through the month of July we started to see equity markets show tentative signs of warming to stocks that may have been disproportionately penalised over the last twelve months. A case in point was observed in the diagnostics sector which Lennox has held exposure to previously for some time via Capitol Health, and as a result we follow Integral Diagnostics (IDX). The expectation for IDX was that FY22 earnings would print below consensus due to cost escalation resulting from COVID – particularly staff costs – consistent with feedback we had received from multiple management teams in the healthcare space. While the business did in fact report a reasonable earnings miss as well as a muted outlook, the stock rallied higher on account of its significant pullback to that point. While a higher share price following an earnings miss is a good outcome for holders, we remain focussed on the medium-term prospects of the businesses we research and the ability of management to manage cost and grow earnings through the cycle. We believe the market may present more compelling opportunities over coming months so continue to watch monitor such businesses closely.

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 498 737 (Lennox), the investment manager of the Lennox Australian Microcap Fund ARSN 623 308 869 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**Fidante Partners**) 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 Partners 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 Partners 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.