

Monthly Fact Sheet August 2022

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-2.16	-30.38	-0.16	6.78	6.35
S&P/ASX Small Ordinaries Accumulation Index	-2.59	-14.66	5.13	4.09	4.36
Active return	0.43	-15.72	-5.29	2.69	1.99
S&P/ASX Small Industrials Accumulation Index ³	-0.48	-20.01	1.09	0.96	3.19
Active return	-1.68	-10.37	-1.25	5.83	3.16

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	\$32.9M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
Autosports Group Ltd
Big River Industries Pty Ltd
SRG Global Ltd

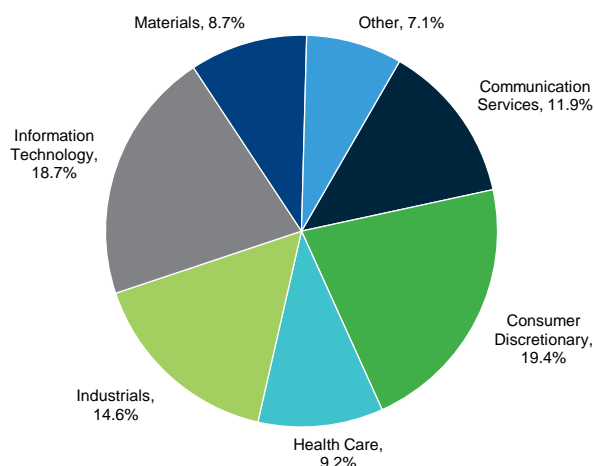
Stock attribution
Top 3
Nearmap Ltd
Autosports Group Ltd
Austin Engineering Ltd
Bottom 3
Aussie Broadband Pty Ltd
FINEOS Corp Holdings PLC
Superloop Ltd

Data Source: Fidante Partners Limited, 31 August 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	89.49	70-100
Cash	10.51	0-30

Sector exposure



Fund highlights

The Fund returned +1.2% (after fees) for the month of August, while the S&P/ASX Small Ordinaries Accumulation Index returned 0.6% and the S&P/ASX Small Industrials Accumulation Index returned -1.0% (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 August included overweight positions in aerial imaging company Nearmap, luxury auto-dealer Autosports and mining equipment manufacturer Austin Engineering. Nearmap was up 49.6% after entering into an implementation deed to be acquired by technology focused private equity firm Thoma Bravo. Autosports rose 16.8% as the company delivered profit growth of 29% for the financial year. Shares in Austin Engineering added 45.8% as it announced a highly accretive acquisition of Maintec.

The largest detractors from performance included internet service provider Aussie Broadband, insurance software provider Fineos and internet service provider Superloop. Shares in Aussie Broadband were down 23.4% as it announced its results, with its operating cost outlook for FY23 coming in above expectations. Shares in Fineos were down 25.7% in August despite the company announcing FY23 revenue guidance above expectations. Superloop dropped 12.9% as the company announced intentions to increase marketing spend ahead of expectations.

During the month, Lennox entered a new position in Baby Bunting. Despite a clear and compelling rollout story in a defensive industry, markets have sold the stock off heavily relative to its highs. We see the consistent weakness in the stock as an attractive opportunity to gain exposure to this quality business with a strong runway ahead.

Market overview

Energy was the best performing sector in August, up 6.5%, followed by Materials (+4.3%) and Industrials (+4.0%). Real Estate was the worst performing sector over the month, down -4.9%, followed by Information Technology (-4.6%) and Health Care (-3.1%).

The top performers for the month were battery metals miner Sayona Mining, followed by mapping technology company Nearmap and payment processing company Tyro. Sayona Mining rose 51.3% following the announcement that North American Lithium was on track to recommence in Q1 2023. Nearmap was up 49.6% after entering into an implementation deed to be acquired by technology focused private equity firm Thoma Bravo. Share in Tyro gained 47.9% after delivering FY22 results and guiding to FY23 results ahead of expectations.

The worst performers for the month were mining equipment manufacturer PPK Group, online retailer Redbubble and data labelling company Appen. PPK group fell 42.7% as it announced the halting of several projects. Redbubble was down 39.8% as cost guidance for FY23 came in ahead of expectations. Shares in Appen dropped 35.7% as it delivered a large reduction in profitability and negative commentary on its outlook for FY23.

What's making waves

While August saw modest gains for the Small Ordinaries index, the month was a tale of two halves with optimism continuing to run from July into reporting season before a dramatic reversal in sentiment as results were delivered. With many companies providing earnings updates throughout FY22, the risk of a negative earnings surprise for last financial year was reduced. The data supported this thesis with only 20% of ASX 200 companies underperforming market expectations and an impressive 33% of companies delivering earnings per share beats. The Lennox portfolio outperformed on this metric with 41% of our investments beating expectations and only 8% missing. Our preparation around reporting season was heavily focused on the outlook for FY23, where we felt market expectations were still too high. Pleasingly our portfolio only saw 8% of investments lower FY23 earnings expectations, compared to the broader market where 40% of companies downgraded forward earnings. We conducted over 100 management meetings in August and anecdotally demand appears to be holding up, however higher interest rates and inflation were recurring themes. We find challenging operating environments like these provide an easy excuse for poor management teams or lower quality business models. The reverse is also true, and we expect the standout management teams and business models to differentiate themselves over coming periods as a result.

For further information, please contact:

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