

### Monthly Fact Sheet August 2022

Performance <sup>1</sup>	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	-3.01	-20.18	2.01	7.24	8.57
S&P/ASX Small Ordinaries Accumulation Index	-2.59	-14.66	4.09	6.85	6.98
Active return	-0.42	-5.52	-2.09	0.39	1.59
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	-0.48	-20.01	0.96	5.13	4.99
Active return	-2.53	-0.17	1.05	2.11	3.58

**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 28 April 2017

<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>	28 April 2017
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
<b>Management fee</b>	1.10% p.a.
<b>Performance fee</b>	15% 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>	+0.39% / -0.39%
<b>Fund size</b>	\$272.4M
<b>Distribution frequency</b>	Half-yearly

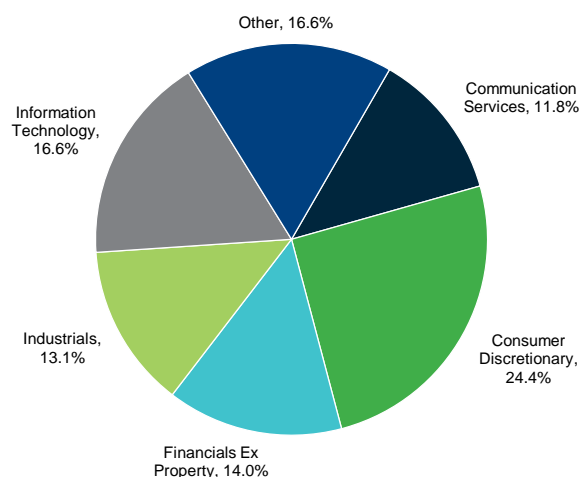
Top 3 active positions (alphabetical)
GQG Partners Inc
Lovisa Holdings Limited
Technology One Limited

Stock attribution
<b>Top 3</b>
Lovisa Holdings Limited
NRW Holdings Ltd
GQG Partners Inc
<b>Bottom 3</b>
Aussie Broadband Pty Ltd
FINEOS Corp Holdings PLC
Siteminder Ltd

Fund features
<b>An actively managed portfolio of small companies:</b> Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and micro-cap 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.

Asset allocation	Actual %	Range %
Security	96.50	80-100
Cash	3.50	0-20

### Sector exposure



## Fund highlights

The Fund returned -0.3% (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 resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions in jewellery retailer Lovisa, mining services company NRW and fund manager GQG. Share in Lovisa gained 29.6% as it delivered results well above expectations and highlighted a strong start to the FY23 period. NRW was up 26.0% following the announcement of its FY22 results, delivering income in excess of its guidance and a strong order book. Shares in GQG advanced 12.0% as it announced its mid-year results, with strong net inflows and attractive revenue growth for the period.

The largest detractors from performance included overweight positions in internet service provider Aussie Broadband, insurance software provider Fineos and accommodation booking technology company Siteminder. 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. While Siteminder sold off 18.6% while delivering of a strong set of results, with annualised recurring revenue growth returning to its pre-Covid trajectory.

During the month, Lennox entered a new position in Megaport as ongoing share price weakness provided an attractive opportunity to gain exposure to a high-quality business. Megaport provides digital infrastructure which is critical to the operations of cloud-enabled businesses so is therefore less impacted by the broader economic cycle.

## 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:**

**Fidante Partners Investor Services** | p: 13 51 53 | e: [info@fidante.com.au](mailto:info@fidante.com.au) | w: [www.fidante.com.au](http://www.fidante.com.au)

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 Small Companies Fund ARSN 617 995 918 (**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](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 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.