

Monthly Fact Sheet October 2022

Performance ¹	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	-3.45	-22.77	-0.22	4.86	7.68
S&P/ASX Small Ordinaries Accumulation Index	-4.91	-18.31	1.46	4.16	5.68
Active return	1.47	-4.46	-1.68	0.70	2.00
S&P/ASX Small Industrials Accumulation Index ³	-4.89	-21.68	-1.27	2.90	4.08
Active return	1.45	-1.10	1.05	1.97	3.60

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	\$264.0M
Distribution frequency	Half-yearly

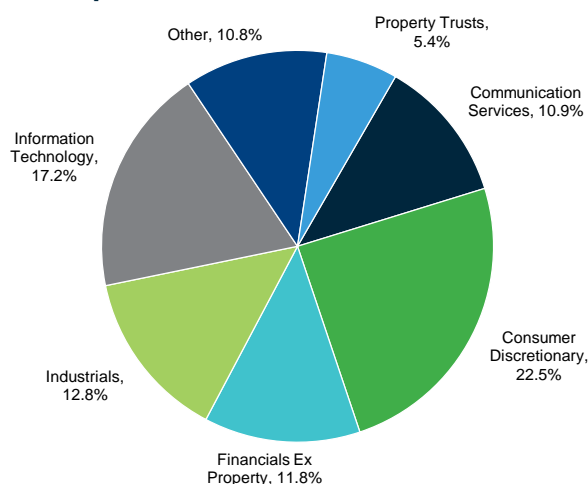
Top 3 active positions (alphabetical)
Collins Foods Ltd
HUB24 Ltd
Technology One Limited

Stock attribution
Top 3
HUB24 Ltd
Life360 Inc
Technology One Limited
Bottom 3
Megaport Ltd
GQG Partners Inc
Kelsian Group Ltd

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	91.36	80-100
Cash	8.64	0-20

Sector exposure



Fund highlights

The Fund returned 6.71% (after fees) for the month of October, while the S&P/ASX Small Ordinaries Accumulation Index returned 6.46% and the S&P/ASX Small Industrials Accumulation Index returned 7.37% (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 wealth platform provider HUB24, location sharing app company Life360 and enterprise software player Technology One. Shares in HUB24 were up 21.5% after it delivered 1Q23 net inflows of \$3bn – up 22% qoq – and reached an updated cash margin agreement with BOQ ahead of the market's expectations. Life360 rallied 39.6% following positive news flow regarding the Company's monthly pricing which were officially increased after months of testing. Shares in Technology One finished the month up 12.7% ahead of what is expected to be another strong result in November.

The largest detractors from performance included positions in cloud connectivity provider Megaport, global fund manager GQG Partners and transport operator Kelsian. Shares in Megaport were down 21.8% following the release of a softer than expected quarterly that missed market expectations. GQG Partners sold off 2.1% after delivering a mixed monthly FUM update despite ongoing strength in the investment performance of underlying funds. Kelsian continued to trade weak on no company specific news and finished the month of October down 3.3%.

Market overview

The S&P/ASX Small Industrials Index was up 7.37% during the month, outperforming the Small Resources Index which was up +3.3% in October. The S&P/ASX Small Ordinaries Index was up 6.46% in October, outperforming the S&P/ASX100 by 0.56%.

Health Care was the best performing sector in October, up 12.3%, followed by Real Estate (+11.7%) and Communication Services (+9.2%). Financials was the worst performing sector over the month, up +2.9%, followed by Consumer Staples (+4.9%) and Industrials (+5.1%).

The top performers for the month were biotech Polynovo, followed by battery producer Novonix and clinical oncology diagnostic & treatment developer Telix. Polynovo bounced 53.8% after it recorded record 1Q23 sales of \$12.5m (+73% vs pcp) driven by a strong performance in the US market. Shares in Novonix were up 52.3% following a strong rally from the battery sector and its selection for a US\$150m grant from the US Department of Energy (DOE). Telix finished the month of October up 46.5% after it expanded its GE healthcare immune-Diagnostics offering to the global clinical research market.

The worst performers for the month included gift card provider EML payments, metal detector & communications manufacturer Codan and environmental technology company Calix. EML payments was down 49.4% after it made an agreement with the UK's Financial Conduct Authority (FCA) to temporarily pause the onboarding of new customers. Shares in Codan finished the month of October down 31.7% as it guided to 1H23 NPAT to be down significantly (40-50%) vs the previous corresponding month and the market's expectations. Calix sold off 29.6% following completion of a \$60m capital raise to fund project development along with the withdrawal of government funding.

What's making waves

Following significant weakness in September, markets rebounded strongly across the month of October. Equities were buoyed by improving inflation trends and US corporate earnings which once again came in ahead of low expectations. On the domestic front, quarterly results and AGM updates presented a mixed bag in terms of forward-looking comments, with companies such as Carsales demonstrating strong cost control and resilient demand, while some retail names such as Baby Bunting were punished for higher costs driven by inflationary pressure in areas such as domestic freight. Overall, we view the slightly soft outlook of many domestic companies as an encouraging sign for the coming year as it forces a reset of consensus growth expectations and is particularly interesting when considering markets tend to bottom-out well in advance of actual economic data rebounding.

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