

### Monthly Fact Sheet October 2022

Performance <sup>1</sup>	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	-3.60	-33.56	-9.57	1.93	5.03
S&P/ASX Small Ordinaries Accumulation Index	-4.91	-18.31	3.45	1.46	2.98
Active return	1.31	-15.25	-13.02	0.47	2.05
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	-4.89	-21.68	-0.06	-1.27	2.21
Active return	1.29	-11.88	-9.51	3.20	2.81

**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 31 January 2018

<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>	31 January 2018
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)
<b>Management fee</b>	1.30%
<b>Performance fee</b>	20% 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>	+0.50% / -0.50%
<b>Fund size</b>	\$31.5M
<b>Distribution frequency</b>	Half-yearly

Top 3 active positions (alphabetical)
Big River Industries Pty Ltd
DDH1 Ltd
SRG Global Ltd

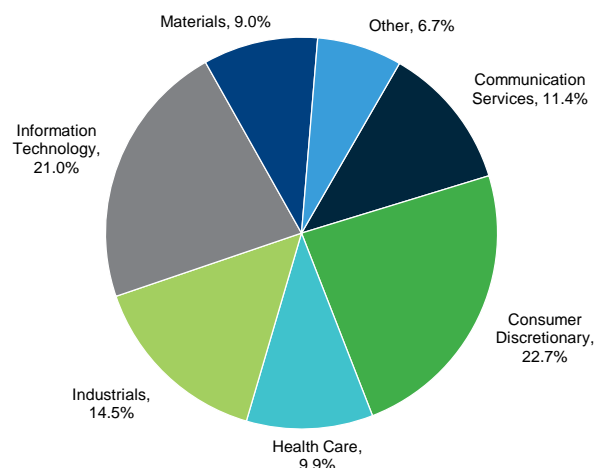
Stock attribution
<b>Top 3</b>
Life360 Inc
NIB Holdings Ltd/Australia
Superloop Ltd
<b>Bottom 3</b>
Baby Bunting Group Ltd
Megaport Ltd
Autosports Group Ltd

Data Source: Fidante Partners Limited, 31 October 2022.

Fund features
<b>An actively managed portfolio of microcap companies:</b> Lennox invests using in-depth fundamental research coupled with selective quantitative screening to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and microcap 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. This is considered a critical function given the inherent volatility in microcap equities.

Asset allocation	Actual %	Range %
Security	95.26	70-100
Cash	4.74	0-30

### Sector exposure



## Fund highlights

The Fund returned 1.94% (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 mining and energy companies, which the Fund does not invest in).

The largest contributors to performance for the month of October included an overweight position in location sharing app company Life360, an underweight position in NIB Holdings and an overweight position in telco services provider Superloop. Life360 rallied 39.6% following positive news flow regarding the Company's monthly pricing which were officially increased after months of testing. NIB Holdings was down 10.2% after it completed the \$150m capital raise to fund M&A in NDIS Plan management space. While shares in Superloop rallied 13.6% following the announcement of another small bolt on acquisition and a stronger than expected September quarterly business update.

The largest detractors from performance included overweight positions in baby retailer Baby Bunting, cloud connectivity provider Megaport and luxury car dealer Autosports. Baby Bunting sold off 25.9% on a weak AGM trading update which flagged gross margin headwinds from domestic freight costs, competitor pricing pressure and FX. Shares in Megaport were down 21.8% following the release of a softer than expected quarterly with missed expectations. While Autosports retraced 4.0% on no company specific news.

## 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.

**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](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.