

Monthly Fact Sheet November 2022

Performance ¹	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	-1.50	-20.10	1.00	4.44	7.88
S&P/ASX Small Ordinaries Accumulation Index	-0.81	-14.03	2.57	4.36	6.51
Active return	-0.70	-6.08	-1.57	0.08	1.37
S&P/ASX Small Industrials Accumulation Index ³	-1.26	-18.34	-1.30	2.88	4.52
Active return	-0.25	-1.76	2.29	1.56	3.36

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	\$264.5M
Distribution frequency	Half-yearly

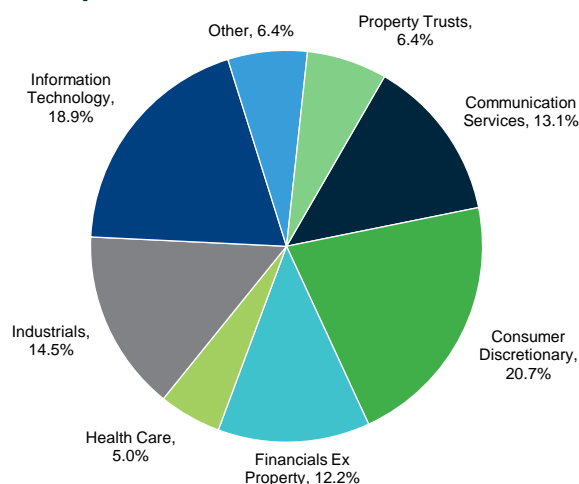
Top 3 active positions (alphabetical)
HUB24 Ltd
NRW Holdings Ltd
Technology One Limited

Stock attribution
Top 3
Technology One Limited
Kelsian Group Ltd
Elders Ltd
Bottom 3
Collins Foods Ltd
Corporate Travel Management Limited
Keypath Education International Inc

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	97.23	80-100
Cash	2.77	0-20

Sector exposure



Fund highlights

The Fund returned 1.67% (after fees) for the month of November, while the S&P/ASX Small Ordinaries Accumulation Index returned 4.92% and the S&P/ASX Small Industrials Accumulation Index returned 2.6% (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 enterprise business software Technology One, transport and tourism company Kelsian Group and an underweight position in real estate and agricultural business Elders Limited. Shares in Technology One rallied 12.9% after releasing a result to the market that was well-received. Kelsian jumped 17.2% over the month as investors gained some confidence around stability of earnings after the business won the Gladstone Marine contract. Finally, Elders Limited lost 18.4% from news of the CEO stepping down – Lennox does not hold Elders in the portfolio.

The largest detractors from performance included restaurant and fast food operator Collins Foods, travel management provider Corporate Travel Management and education platform Keypath Education. Shares in Collins Foods were down 18.6% after the business called out margin pressures for the full year at its first half result. Corporate Travel Management lost 5.4% as the business highlighted slower than anticipated recovery due to capacity constraints. Finally, Keypath moved down 23.2% on no company-specific news.

During the month, Lennox added Superloop Limited to the portfolio. As the business wins more customers through subscribers and market share, it will add incremental margin through a largely fixed cost base.

Market overview

Materials was the best performing sector in November, up 12.7%, followed by Financials (+7.3%) and Real Estate (+5.2%). Energy was the worst performing sector over the month, up +0.7%, followed by Information Technology (+1.2%) and Consumer Staples (+2.2%).

The top performers for the month were payments software company EML Payments, followed by mineral explorer Arafura Rare Earths and miner Bellevue Gold. EML Payments bounced 59.3% after a Board change sparked hope of a potential takeover. Arafura added 54.2% as the business signed an offtake agreement with a major OEM. Thirdly, Bellevue Gold rose 48.6% as the price of gold spiked 8.3% over the month.

The worst performers for the month included apparel retailer City Chic Collective, wealth management platform software Bravura Solutions and packaging business Pact Group. City Chic lost 39.1% after the AGM update warned on Northern Hemisphere demand and high inventory holding position. Bravura Solutions took away 35.2% after the company downgraded its FY23 EBITDA forecast to \$10-15m (consensus: \$43m). Finally, Pact Group fell 26.1% as the AGM update provided no signs of relief on supply chain challenges.

What's making waves

Strength in equity markets continued over the month of November from initial signs of improving macroeconomic trends and US corporate earnings. Domestically, as AGM season came to an end, business recovery and cost control continued to be key challenges. Companies like healthcare provider Healius – a noted covid beneficiary with inflated PCR testing volumes providing a tailwind – has seen earnings expectations constantly downgraded as slowing growth was compounded by rising cost pressures. We expect businesses to continue being impacted by macro issues such as these in the near term and hunt for business models focussed on company-directed growth potential lead by strong management teams.

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