

### Monthly Fact Sheet November 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)	-3.95	-30.39	-11.65	2.71	5.13
S&P/ASX Small Ordinaries Accumulation Index	-0.81	-14.03	0.91	2.57	3.96
Active return	-3.14	-16.37	-12.56	0.14	1.17
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	-1.26	-18.34	-3.46	-1.30	2.75
Active return	-2.69	-12.05	-8.18	4.01	2.38

**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>	\$31.3M
<b>Distribution frequency</b>	Half-yearly

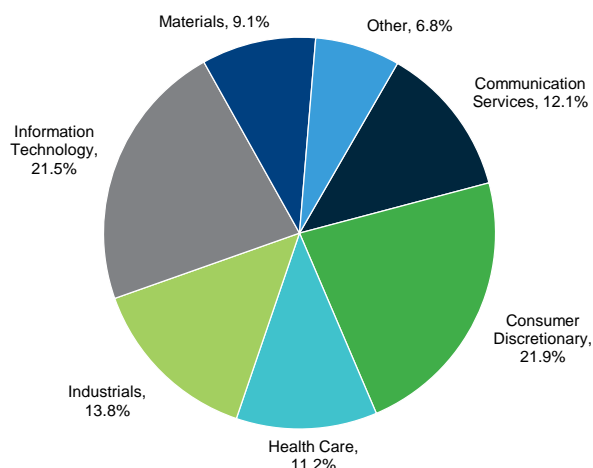
Top 3 active positions (alphabetical)
Big River Industries Pty Ltd
DDH1 Ltd
SRG Global Ltd

Stock attribution
<b>Top 3</b>
Gentrack Group Ltd
COSOL Ltd
Elders Ltd
<b>Bottom 3</b>
Big River Industries Pty Ltd
Keypath Education International Inc
Alliance Aviation Services Limited

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	96.32	70-100
Cash	3.68	0-30

### Sector exposure



## Fund highlights

The Fund returned 0.88% (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 2.60% (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 November included an overweight position in software solutions business Gentrack Group, software and digital services provider COSOL and an underweight position in real estate and agricultural company Elders Limited. Gentrack added 63.7% in November after a strong result (beating consensus expectations) with further growth in the pipeline. COSOL added 12.3% over the month as the business provided an AGM update largely in line with expectations with an indication of potential inorganic growth. 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 overweight positions in timber manufacturer and distributor Big River Industries, education platform provider Keypath Education and airline services business Alliance Aviation Services. Big River Industries took away 7.0% over the month off no news aside from the appointment of a new CEO (pre-announced). Keypath moved down 23.2% on no company-specific news. Finally, Alliance Aviation Services was down 7.1% off no company-specific news.

During the month, Lennox topped up its position in Gentrack Group. The business released a strong result, ahead of all expectations. The fund sees upside in the business from more evidence of a cost turnaround – with earnings further buoyed by new logos and top-line momentum.

## 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.

**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.