

Monthly Fact Sheet December 2022

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	1.18	-27.56	-13.15	3.15	4.69
S&P/ASX Small Ordinaries Accumulation Index	7.54	-18.38	-2.33	1.38	3.09
Active return	-6.36	-9.17	-10.82	1.77	1.60
S&P/ASX Small Industrials Accumulation Index ³	6.58	-21.76	-5.70	-1.97	1.99
Active return	-5.41	-5.80	-7.45	5.12	2.71

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 31 January 2018

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	31 January 2018
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)
Management fee	1.30%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
Buy/sell spread	+0.50% / -0.50%
Fund size	\$30.5M
Distribution frequency	Half-yearly

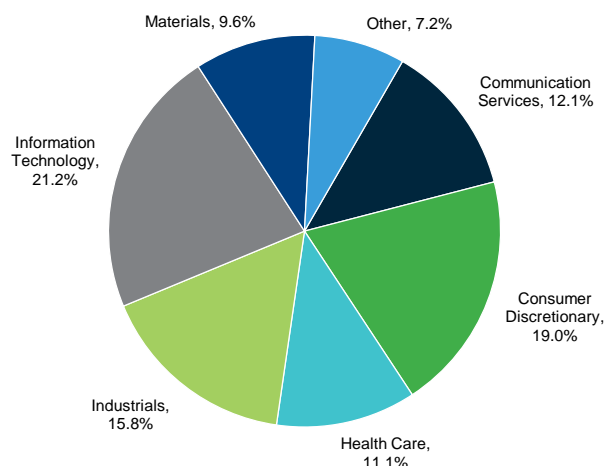
Top 3 active positions (alphabetical)
Big River Industries Pty Ltd
DDH1 Ltd
SRG Global Ltd

Stock attribution
Top 3
COSOL Ltd
Big River Industries Pty Ltd
Liontown Resources Ltd
Bottom 3
Life360 Inc
Austin Engineering Ltd
Australian Finance Group Ltd

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

Asset allocation	Actual %	Range %
Security	95.88	70-100
Cash	4.12	0-30

Sector exposure



Fund highlights

The Fund returned -1.62% (after fees) for the month of December, while the S&P/ASX Small Ordinaries Accumulation Index returned -3.73% and the S&P/ASX Small Industrials Accumulation Index returned -3.38% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance for the month of December included overweight positions in IT services company COSOL and timber manufacturer Big River, as well as an underweight position in miner Liontown Resources. COSOL rallied 9.5% as the company announced several major contract wins. Shares in Big River added 6.5% for the month off no company specific news. Liontown Resources shares dropped 31.8% for the month as lithium names were broadly weaker. Lennox does not hold Liontown and was positively impacted by the underweight position relative to the benchmark.

The largest detractors from performance included overweight positions in social media company Life360, mining equipment engineer Austin Engineering and mortgage broker Australian Finance Group. Life360 shares dropped 22.2% as the company undertook a \$50m capital raising at the end of November. Austin Engineering fell 17.4% despite the company announcing strong fundamental momentum in the business in Indonesia, with revenues over 80% above the prior period. Shares in Australian Finance Group withdrew 12.6% as concerns around the real estate market grew.

During the month, Lennox initiated a position in MMA Offshore. The company operates a fleet of vessels which provide various services to the offshore oil and gas industries, such as storage and maintenance. MMA is experiencing materially improved utilisation compared to the prior comparable period, which is flowing through to strong bottom-line improvement in the business.

Market overview

Utilities was the best performing sector in December, up 1.4%, followed by Consumer Staples (+1.2%) and Financials (-1.4%). Consumer Discretionary was the worst performing sector over the month, down 6.1%, followed by Information Technology (-6.0%) and Materials (-5.1%).

The top performers for the month were miner Red 5, miner St Barbara and mining services company Perenti. Red 5 shares were up 28.1% in December as the company began production at one of its sites and delivered some high-grade results at another. St Barbara rose 28.1% for the month as it announced its intention to merge with Genesis Minerals, where holders will own 38% of the new company as well as fully own several select assets fully which are being demerged from the group. Shares in Perenti grew 19.6% as the company announced a contract win and upgraded its guidance.

The worst performers for the month were apparel retailer City Chic, casino operator Star Entertainment and battery company Novonix. City Chic continued its decline, dropping a further 40.3% in December following another downgrade, with the company indicating an expected EBITDA loss for 1H23 as it tries to unwind its elevated inventory. Shares in Star Entertainment dropped 34.7% as the company received further updates on the status of its disciplinary action, with monetary fines of \$100m to be paid in instalments across CY23, as well as a 90-day suspension of its licences for Treasury Brisbane and Star Gold Coast, in addition to the NSW Government announcing its intention to increase casino duty rates. Novonix shares fell 34.4% in a challenging month for battery names, with the company announcing intention to scale its US production of high-performance synthetic graphite anode materials.

What's making waves

December saw markets take a sharp turn from the strength of preceding months as strong US employment data saw investors fear a delay in the long-awaited Federal Reserve interest rate pivot. Locally, cracks in the property market continued to appear, with data now pointing to three consecutive months of material declines in properties available for sale. This data is often seen as a gauge of economic uncertainty, and initially caught our attention a few months back as an indicator to monitor the broader health of the residential property sector (and listed companies exposed to that trend). Property listing portal Domain has been the first to fall victim to the trend. While the controllable aspect of the business continues to perform well in the face of challenging conditions, the weakness in the underlying market has seen Domain cut costs and downgrade earnings expectations. Despite local employment data remaining strong and retail spend demonstrating robustness, it remains to be seen whether a post-Christmas drop in broader economic activity will bleed into a weakening property market.

For further information, please contact:

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