

Monthly Fact Sheet July 2023

Performance ¹	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	3.67	4.53	4.82	5.84	5.88
S&P/ASX Small Ordinaries Accumulation Index	0.20	0.77	5.90	3.18	3.66
Active return	3.47	3.76	-1.08	2.66	2.22
S&P/ASX Small Industrials Accumulation Index ³	3.52	2.64	5.12	2.80	3.33
Active return	0.15	1.89	-0.30	3.04	2.54

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	\$30.0M
Distribution frequency	Half-yearly

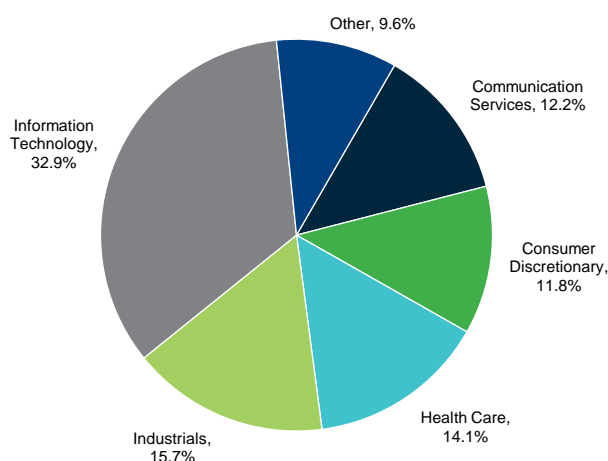
Top 3 active positions (alphabetical)
Monash IVF Group Limited
SRG Global Ltd
Siteminder Ltd

Stock attribution
Top 3
Siteminder Ltd
Megaport Ltd
Universal Store Holdings Ltd
Bottom 3
Capitol Health Ltd
Aussie Broadband Pty Ltd
Tourism Holdings 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	96.20	70-100
Cash	3.80	0-30

Sector exposure



Fund highlights

The Fund returned 8.99% (after fees) for the month of July, while the S&P/ASX Small Ordinaries Accumulation Index returned 3.54% and the S&P/ASX Small Industrials Accumulation Index returned 4.80% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions hotel software provider Siteminder, network connection company Megaport and youth fashion retailer Universal Stores. Shares in Siteminder jumped 44.2% for the month as the company released its Q4 result with revenues, cash flow performance and growth indicators all tracking ahead of expectations. Megaport added 44.3% as the company upgraded earnings guidance due to continued improvement in operating metrics and tight cost control. Shares in Universal Stores were up 20.1% as fears around a general slowdown in consumer facing stocks eased.

The largest detractors from performance included overweight positions in diagnostic imaging provider Capitol Health, NBN retailer Aussie Broadband and RV rental operator Tourism Holdings. Shares in Capitol Health ended the month down 13.0% following a softer than expected earnings outcome for FY23 driven by persistent cost pressures. Aussie Broadband traded down 7.7% on the back of general weakness in telco sector. Tourism Holdings sold off 6.8% due to ongoing concerns around the impact of extreme weather conditions in the North American market.

During the month, Lennox opened a position in foreign exchange payments company OFX Group. We are attracted to the large Company's value proposition which presents an exiting opportunity to win share from incumbents in a large addressable market. Central to our thesis is an increasing contribution from higher value customers in the corporate segment which accelerated following the acquisition of Firma.

Market overview

Information Technology was the best performing sector in July, up 17.7%, followed by Consumer Discretionary (+14.1%) and Financials (+10.7%). Materials was the worst performing sector over the month, down 5.6%, followed by Real Estate (-1.2%) and Communication Services (+3.9%).

The top performers for the month included hotel software provider Siteminder, network connection company Megaport and online retailer Kogan. Shares in Siteminder added 44.2% while Megaport added 44.3% as mentioned above. Kogan advanced 25.4% after it reported a trading update with stronger than expected gross margin outcomes due to an improvement in inventory levels.

The worst performers for the month included coal miner Bowen Coking Coal, along with junior lithium names Core Lithium and Lake Resources. Shares in Bowen Coking Coal dropped a further 31.3% after delivering a weak June quarterly result and raised \$50m to fund working capital and capex requirements. Core lithium shares finished the month down 28.9% as Company specific commentary around FY25 volumes missed expectations. Lake Resources declined 25.0% due to general weakness in the junior lithium space following the introduction of the Guangzhou lithium futures.

What's making waves

July was a positive month for equities across the board, driven by a further softening of inflation data across the globe which supports the view that the central bank hiking cycle is near its peak. On the home front, July saw the RBA pause and the Fed raise by +25bps, both in-line with expectations. Falling inflation, coupled with a record low level of unemployment (3.5% in Aust) and a resilient consumer backdrop lay the foundation for a soft-landing scenario and an increasingly positive environment for equities. Whilst the Lennox portfolio is focused on bottom-up stock selection, sentiment towards certain corners of the portfolio – such as pre-profitability companies – have been heavily impacted by the rapid rise in interest rates over the past 12 months. An improvement in market sentiment and evidence that these businesses can deliver acyclical growth and are able to moderate cash burn has been a powerful combination. This is exemplified by the performance of two such companies in the Lennox portfolio, Siteminder and Megaport, both up +44% through July. Our approach, which focuses on business and earnings quality gave us the patience to hold these names through the volatility and has allowed our investors to benefit from a reversal of overly negative sentiment towards such businesses across the past 12 months.

For further information, please contact:

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