

Monthly Fact Sheet August 2023

Performance ¹	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	10.85	12.22	3.63	4.50	9.14
S&P/ASX Small Ordinaries Accumulation Index	2.22	-1.12	3.00	2.40	5.66
Active return	8.64	13.34	0.62	2.10	3.48
S&P/ASX Small Industrials Accumulation Index ³	3.78	2.19	1.46	1.62	4.54
Active return	7.07	10.03	2.17	2.88	4.59

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	\$216.6M
Distribution frequency	Half-yearly

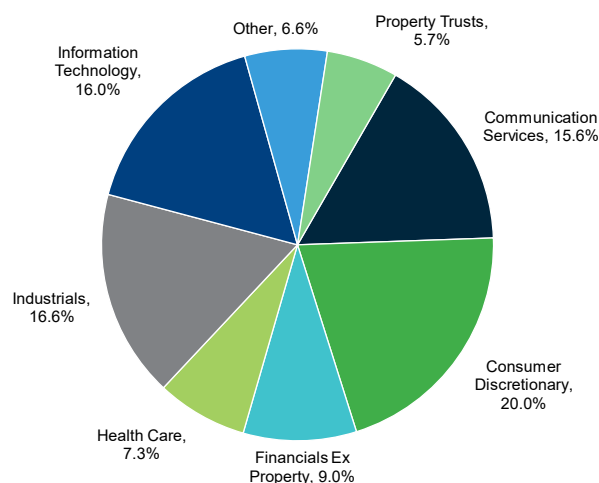
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Collins Foods Ltd
GQG Partners Inc

Stock attribution
Top 3
Aussie Broadband Pty Ltd
Siteminder Ltd
Life360 Inc
Bottom 3
Corporate Travel Management Limited
Australian Finance Group Ltd
PEXA Group Ltd

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	96.82	80-100
Cash	3.18	0-20

Sector exposure



Fund highlights

The Fund returned 1.02% (after fees) for the month of August, while the S&P/ASX Small Ordinaries Accumulation Index returned -1.31% and the S&P/ASX Small Industrials Accumulation Index returned -1.47% (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 internet service provider Aussie Broadband, hotel software provider Siteminder and location-sharing technology company Life360. Shares in Aussie Broadband lifted 29.8% for the month as the company released its full year results, achieving the top end of its guidance range, as well as strong subscriber adds in early FY24 and full year guidance in-line with expectations. Siteminder rose 16.2% following the release of its full year results, which highlighted strong half-on-half improvements in a number of key operating metrics such as subscriber numbers and ARPU. Life360 was up 20.7% for the month as it announced its first half results, with strong cost control being the key feature as the company announced an in-line vs expectation revenue number but a strong beat at the EBITDA line.

The largest detractors from performance included overweight positions in travel management company Corporate Travel, mortgage broker Australian Finance Group and electronic conveyancing company PEXA. Shares in Corporate Travel fell 10.9% in August following the release of its full year results, with a slightly weaker than expected FY24 guidance number. Australian Finance Group dropped 13.7% as it posted its full year result, with NIM compressing progressively through the financial year and further into early FY24. PEXA was down 12.8% as the company delivered a noisy result, with the domestic business beating expectations but the international business missing expectations.

Market overview

Energy was the best performing sector in August, up 4.6%, followed by Consumer Discretionary (+3.0%) and Communication Services (+1.8%). Health Care was the worst performing sector over the month, down 4.8%, followed by Financials (-4.4%) and Real Estate (-4.0%).

The top performers for the month included audio technology company Audinate, uranium miner Deep Yellow and gold miner Red 5. Shares in Audinate rose 48.2% following the release of its full year results, with strong top line growth and active cost control driving positive second half cash flow and a 39% beat vs consensus estimates. Deep Yellow gained 37.2% as rising gas prices drove a uranium price rally. Red 5 added 36.1% on the back of its full year results, with strong operating improvement driving a material reduction in leverage.

The worst performer for the month included biotech company Mesoblast, precious metals miner Chalice Mining and financial services technology company Iress. Shares in Mesoblast dropped 55.5% in August following the FDA again delaying approval of remestemcel-L, citing more data required. Chalice Mining fell 39.6% after the release of its scoping study on the Gonville project which disappointed market expectations. Iress declined 38.3% following the release of its first half results, with the company reducing the full year EBITDA guidance it reaffirmed in late April by over 17%.

What's making waves

August played host to the FY23 reporting season, with the Small Ordinaries Index closing the month down 1.3%. While relatively benign at face value, below the surface saw a highly volatile period, with over 42% of companies closing the month 10% above or below their starting price. As flagged in our June What's Making Waves segment, stock correlations have continued to trend down, offering a compelling environment for conviction active management to deliver material value to investors. A key theme seemed to be the market's willingness to look through short-term operating volatility and take advantage of overreactions for companies with quality attributes. The Reliance Worldwide share price movement demonstrated an excellent example of this, with the company trading down over 14% on outlook commentary of low-single digit percentage decline in sales, before running up almost 15% from that low to close the month down less than 1%. As always, our approach, which focuses on the underlying business and earnings quality over the medium term, provided us with the confidence to hold these companies through highly volatile short-term price movements.

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