

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)	13.06	5.11	1.57	5.89	6.13
S&P/ASX Small Ordinaries Accumulation Index	2.22	-1.12	3.00	2.40	3.36
Active return	10.85	6.24	-1.44	3.49	2.77
S&P/ASX Small Industrials Accumulation Index ³	3.78	2.19	1.46	1.62	3.01
Active return	9.28	2.92	0.11	4.27	3.12

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

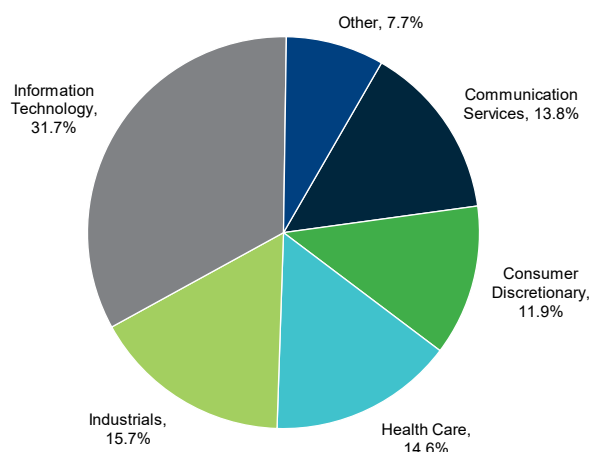
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Monash IVF Group Limited
Siteminder Ltd

Stock attribution
Top 3
Aussie Broadband Pty Ltd
Siteminder Ltd
Life360 Inc
Bottom 3
Ozforex Group Ltd
Imdex Limited
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	95.47	70-100
Cash	4.53	0-30

Sector exposure



Fund highlights

The Fund returned 1.82% (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 international payments provider OFX Group, drilling services provider Imdex and mortgage broker Australian Finance Group. Shares in OFX Group fell 17.6% following the company's AGM, where it announced a healthy recovery in its top line but also disclosed the departure of a handful of traders from Firma. Imdex dropped 17.3% as the company delivered its full year results, with the company navigating challenging market conditions well on the top-line, but missing expectations on costs. Australian Finance Group was down 13.7% as it posted its full year result, with NIM compressing progressively through the financial year and further into early FY24.

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.

For further information, please contact:

Fidante Partners Investor Services | p: 13 51 53 | e: info@fidante.com.au | w: www.fidante.com.au

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 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.