

### Monthly Fact Sheet December 2022

Performance <sup>1</sup>	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	4.74	-23.09	0.86	3.12	7.09
S&P/ASX Small Ordinaries Accumulation Index	7.54	-18.38	1.38	2.92	5.70
Active return	-2.80	-4.71	-0.52	0.20	1.39
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	6.58	-21.76	-1.97	1.86	3.83
Active return	-1.85	-1.34	2.83	1.25	3.27

**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 28 April 2017

<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	
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	\$250.2M
Distribution frequency	Half-yearly

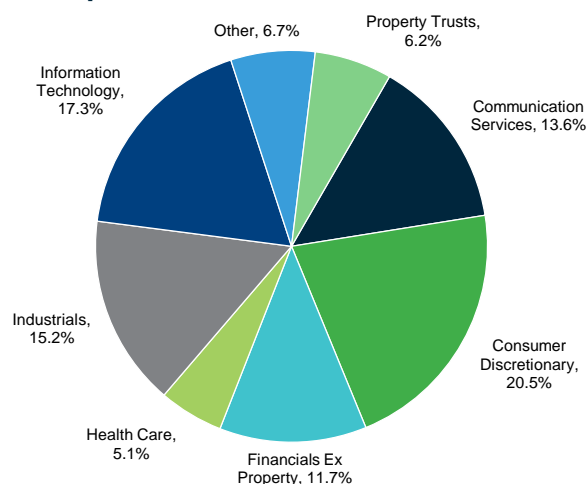
Top 3 active positions (alphabetical)
GQG Partners Inc
HUB24 Ltd
NRW Holdings Ltd

Stock attribution
Top 3
Liontown Resources Ltd
Ebos Group Ltd
Kelsian Group Ltd
Bottom 3
PEXA Group Ltd
Life360 Inc
Corporate Travel Management Limited

Fund features
<b>An actively managed portfolio of small companies:</b> Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and micro-cap 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.

Asset allocation	Actual %	Range %
Security	96.27	80-100
Cash	3.73	0-20

### Sector exposure



## Fund highlights

The Fund returned -3.46% (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 included an underweight position in miner Lontown Resources, as well as overweight positions in Pharmaceutical and Animal Care company Ebos and transport contractor Kelsian. Lontown Resources shares dropped 31.8% for the month as lithium names were broadly weaker. Lennox does not hold Lontown and was positively impacted by the underweight position relative to the benchmark. Ebos rallied 8.1% in a month which saw Woolworths acquire 55% of Petspiration, providing validation to the market that the animal care strategy Ebos is pursuing is sound. Shares in Kelsian were up 4.3% as it announced the successful contract retention of Sydney's Southwest bus region.

The largest detractors from performance included overweight positions in proptech company Pexa, social media company Life360 and travel operator Corporate Travel. Pexa fell 17.9% as Link Administration undertook an in-specie distribution of its Pexa stake to its shareholders. Life360 shares dropped 22.2% as the company undertook a \$50m capital raising at the end of November. Shares in Corporate Travel dropped 10.9% in a month that saw share price pressure broadly across the travel sector.

During the month, Lennox trimmed its position in the strongly performing NRW to realise some profits.

## 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:**

**Fidante Partners Investor Services** | p: 13 51 53 | e: [info@fidante.com.au](mailto:info@fidante.com.au) | w: [www.fidante.com.au](http://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 Small Companies Fund ARSN 617 995 918 (**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.