

NovaPort Microcap Fund

Quarterly report - December 2023

Performance ¹	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a ²
Fund return (net)	6.10	4.90	4.12	4.40	8.01	7.78	11.68	8.92
Growth return	5.19	4.00	-2.78	-6.37	0.31	3.34	8.15	3.79
Distribution	0.91	0.90	6.90	10.77	7.70	4.44	3.53	5.14
S&P/ASX Small Ordinaries Accumulation Index	7.23	8.52	7.82	0.95	6.40	6.01	6.72	4.26
Active return ³	-1.13	-3.62	-3.70	3.45	1.61	1.77	4.96	4.67

Past performance is not a reliable indicator of future performance.

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 22 March 2005

³ Numbers may not add due to rounding

Investment objective

The Fund aims to outperform its benchmark over rolling seven-year periods through the investment in a diversified portfolio of micro-cap Australian companies.

Responsible entity

Fidante Partners Limited

Investment manager

NovaPort Capital Pty Ltd

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort is a high conviction investor, which invests in a concentrated number of companies at any given time and consequently its investment portfolios typically have a lower turnover of securities.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least seven years

Asset allocation	Actual %	Range %
Security	92.99	80-100
Cash	7.01	0-20

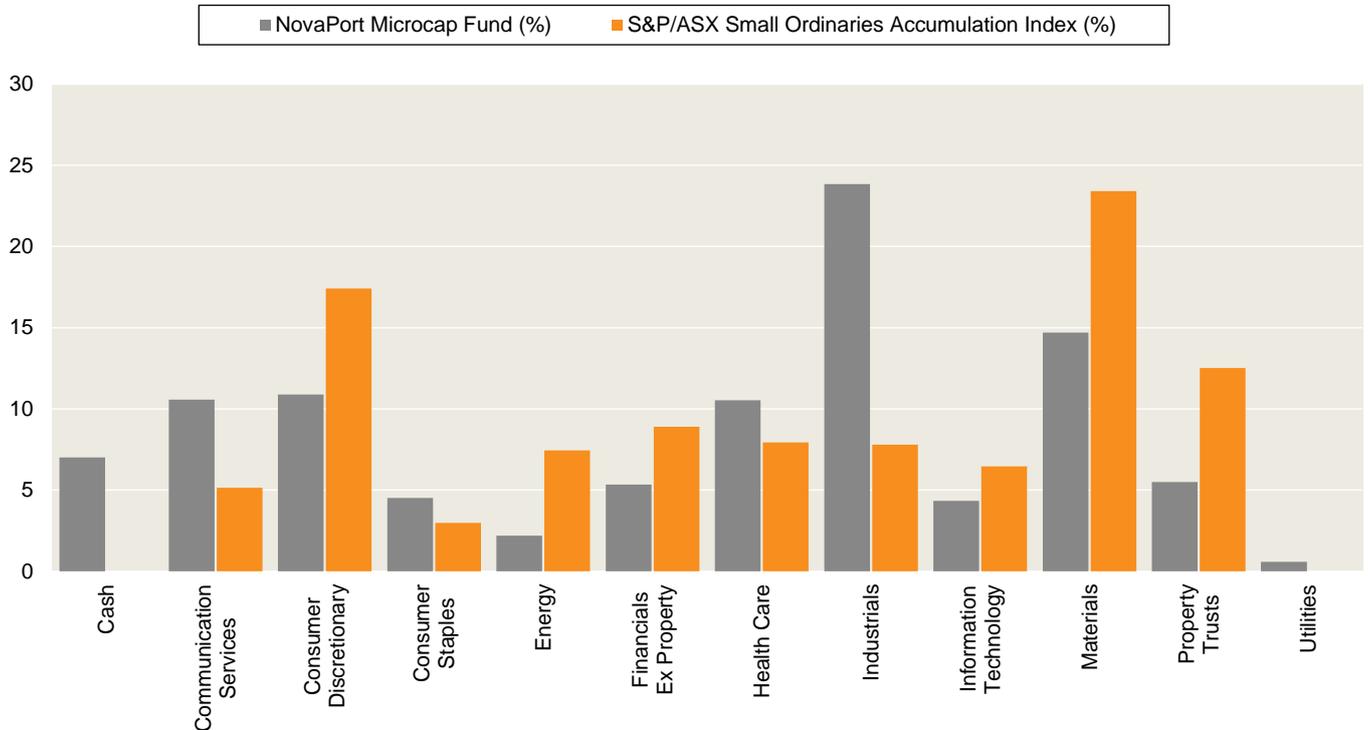
Top 5 active positions	Fund weight %	Index weight %	Active weight %
Lycopodium Ltd	5.14	0.00	5.14
Capral Limited	4.68	0.00	4.68
MMA Offshore Ltd	4.38	0.00	4.38
CTI Logistics Ltd	3.84	0.00	3.84
GR Engineering Services Ltd	3.80	0.00	3.80

Fund facts	
Inception date	22 March 2005
Fund size	\$68.3M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2020-2021 ICR	1.50%
Management fee	1.50%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index).
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 December 2023.

Sector exposure



Data Source: Fidante Partners Limited, 31 December 2023.

Market overview

Equities surged again in December amid mounting confidence that interest rates have peaked and inflation is normalising. The ASX Small Ordinaries (Accumulation) Index soared 7.2% last month to close 8.5% higher for the December quarter, reflecting a sudden change in market sentiment. A very weak October (-5.5%) was rapidly overcome with strong gains in November and December as investor expectations readjusted from 'higher for longer' to anticipate rate cuts in 2024. Bond yields retreated sharply from their peaks as the outlook changed.

Inflation in the United States continues to ease, and US Federal Reserve commentary has reinforced the 'peak rates' narrative. While growth has slowed in the world's biggest economy, a much-feared US recession is yet to materialise, and the American labour market is (so far) easing without a big spike in unemployment. The Australian experience appears to be six to twelve months behind the US. Domestic inflation is high but also easing and labour availability, while difficult, is improving. There is less market confidence in the timing of Reserve Bank of Australia cuts, but most economists believe the RBA delivered its final or penultimate rate hike in November.

Quarterly trading updates showed the Australian economy remains solid, albeit there are some concerns over consumer spending post Christmas. Extremely high immigration continues to bolster demand is likely masking the impact higher rates and cost of living are having on many Australians.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +8.52% for the quarter. The fund underperformed the market and delivered a +4.90% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
MMA Offshore Ltd	Industrials	4.38	1.02
Lycopodium Ltd	Industrials	5.14	0.78
Volpara Health Technologies Ltd	Health Care	2.43	0.74

Data Source: Fidante Partners Limited, 31 December 2023.



MMA Offshore Ltd

The rebound in oil and gas capex and a growing pipeline of offshore wind projects is a boon for marine service providers like MMA Offshore. Newer markets, such as decommissioning of old oil and gas infrastructure, present another leg of demand growth and will support further growth in earnings.

Lycopodium Ltd

Lycopodium secured several new contracts for gold and copper projects last month, continuing a very strong run. Demand for engineering services is high and Lycopodium has a full pipeline of work and new prospects across a broad base of commodities.

Volpara Health Technologies Ltd

Volpara received a takeover offer which the board has recommended.

Key detractors

Security name	Sector	Active weight %	Value added %
Praemium Ltd	Information Technology	2.68	-1.56
Neuren Pharmaceuticals Ltd	Health Care	-1.26	-0.70
True North Copper Ltd	Materials	0.61	-0.61

Data Source: Fidante Partners Limited, 31 December 2023.

Praemium Ltd

Praemium updated the market during the quarter, highlighting that lower trading activity would weigh on revenue at the same time as the company is investing in resources to improve its value offer. The company expects revenue as a % of FUMA to normalise in the second half of CY24. The share price responded quickly to this disappointing news. The company continues to grow its business supported by attractive pricing relative to its competitors.

Neuren Pharmaceuticals Ltd

Not held by the fund.

True North Copper Ltd

Start up activity for the Cloncurry copper operation has been behind schedule and the share price was further impacted by a capital raising in the final quarter of the year. Nevertheless, remains an attractive exposure to the favourable outlook for copper demand over the medium to longer term.

For further information, please contact:

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This material has been prepared by NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort), the investment manager of the NovaPort Microcap Fund ARSN 113 199 698 (**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. NovaPort 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, NovaPort 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.

