

Monthly Fact Sheet January 2024

Performance ¹	3 month %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	15.17	14.31	2.72	7.71	9.33
S&P/ASX Small Ordinaries Accumulation Index	15.80	2.10	1.33	5.44	6.07
Active return	-0.63	12.21	1.39	2.27	3.25
S&P/ASX Small Industrials Accumulation Index ³	20.07	6.79	0.26	4.90	5.16
Active return	-4.90	7.52	2.46	2.81	4.17

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	\$212.6M
Distribution frequency	Half-yearly

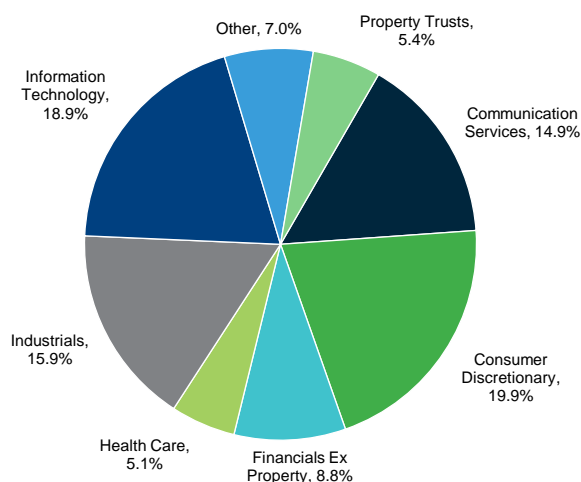
Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
GQG Partners Inc
Kelsian Group Ltd

Stock attribution
Top 3
Megaport Ltd
GQG Partners Inc
SmartGroup Corp Ltd
Bottom 3
Nanosonics Limited
Paladin Energy Ltd
Boss Energy 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	96.08	80-100
Cash	3.92	0-20

Sector exposure



Fund highlights

The Fund returned 1.6% (after fees) for the month of January, while the S&P/ASX Small Ordinaries Accumulation Index returned 0.9% and the S&P/ASX Small Industrials Accumulation Index returned 1.9% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions network technology company Megaport, global fund manager GQG Partners and vehicle leasing company SmartGroup. Megaport surged 38.2% on the back of a stronger than expected 2Q24 result which reflected a combination of tight cost control and positive progress on the new sales team that has been rebuilt from scratch. Shares in GQG rallied 10.3% on the back of strong ongoing fund performance, consistent net inflows (US\$1.8bn in 4Q23) and positive market movements. Smartgroup bounced 11.4% in the month of January on no company specific news.

The largest detractors from performance included an overweight position in medical device company Nanosonics, along with underweight positions in Uranium miners Paladin Energy and Boss Energy. Shares in Nanosonics dropped 32.3% following a weak 1H24 trading update that was negatively impacted by hospital budget constraints that delayed Trophon sales. Uranium miners Paladin and Boss Energy increased by 31.5% and 38.2% respectively due to positive developments in the uranium market which saw the US Govt announce further funding support and one of the world's largest Uranium mines (Kazatomprom) cut production.

During the month, the fund added to its position in financial software provider Iress Ltd. We believe the new management team has done a good job resetting market expectations around costs and the prospects of meaningful top-line growth, making any incremental news around further cost-out and/or asset sales presenting a positive catalyst for the stock.

Market overview

Energy was the best performing sector in January, up 9.9%, followed by Consumer Staples (+9.6%) and Financials (+4.0%). Materials was the worst performing sector over the month, down 5.2%, followed by Real Estate (0.0%) and Healthcare (+0.1%).

The top performers for the month included uranium miner Boss Energy, network technology company Megaport and uranium miner Deep Yellow. Shares in Boss Energy were up 38.2% due to positive developments in the uranium market which saw the US Govt announce further funding support and one of the world's largest Uranium mines (Kazatomprom) cut production. Megaport surged 38.2% on the back of a stronger than expected 2Q24 result which reflected a combination of tight cost control and positive progress on the new sales team that has been rebuilt from scratch. Deep Yellow advanced 33.9%, also on the back of positive developments in the uranium market which saw the US Govt announce further funding support and one of the world's largest Uranium mines (Kazatomprom) cut production.

The worst performers for the month included industrial technology company Calix, language services provider Appen and lithium miner Sayona. Shares in Calix fell 50.9% after Hiedelberg Materials decided to shut down production of clinker production at its Hanover cement plant, delaying the commercialisation of the Company's decarbonisation product. Appen dropped 48.5% as Google terminated their contract that made up c.30% of revenue in FY23, resulting in the cessation of all projects with Appen by March 2024. Shares in Sayona retreated 43.7% on the back of further weakness in the outlook for lithium pricing.

What's making waves

Following a bumper rally to close out 2023, equity markets had a quiet January. The small ordinaries rose 0.9% and underperformed its larger counterpart, the ASX 100 which gained 1.1%. Global economic data remained resilient and inflation data continued to soften. However, these factors took a back seat with markets shifting their focus to company specific news flow out of the US reporting season and trading updates from ASX listed companies reporting their quarterly results or cleansing the market ahead of the February reporting season. Overall, there was a mix of both positive and negative trading updates from the likes of APM, APX, MP1, SHV, NAN and DMP. One trading update that caught the market by surprise was Domino's Pizza (DMP), which saw the stock trade down ~30% on earnings downgrades of ~15% across FY24 and FY25. The extreme share price reaction reflected: (1) a loss in confidence regarding management execution considering the magnitude of the downgrade after reiterating guidance at the Company's AGM in November; and (2) the fact the market had bought into the Company's turnaround narrative that focused on restoring group margins and store roll out opportunity through increasing franchisee profitability. It's this heightened volatility that drives Lennox's acute awareness of short-term earnings expectations as we approach reporting season.

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