

NovaPort Smaller Companies Fund

Monthly report - February 2024

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)	2.38	7.23	15.14	3.79	5.04	5.63	11.78	11.57
Growth return	2.38	6.53	11.82	-1.68	0.71	0.83	7.45	3.95
Distribution	0.00	0.71	3.32	5.47	4.33	4.80	4.33	7.62
S&P/ASX Small Ordinaries Accumulation Index	1.72	10.05	7.84	1.39	4.42	6.07	7.74	6.78
Active return ³	0.66	-2.82	7.29	2.40	0.62	-0.43	4.04	4.79

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 31 December 2002

³ Numbers may not add due to rounding

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.

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 five years

Asset allocation	Actual %	Range %
Security	93.55	80-100
Cash	6.45	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Regis Healthcare Ltd	5.12	0.00	5.12
Monash IVF Group Limited	4.46	0.00	4.46
Technology One Limited	4.33	0.00	4.33
Monadelphous Group Limited	3.99	0.54	3.46
Gold Road Resources Ltd	4.02	0.63	3.39

Fund facts

Inception date	31 December 2002
Fund size	\$168.6M
APIR code	HOW0016AU

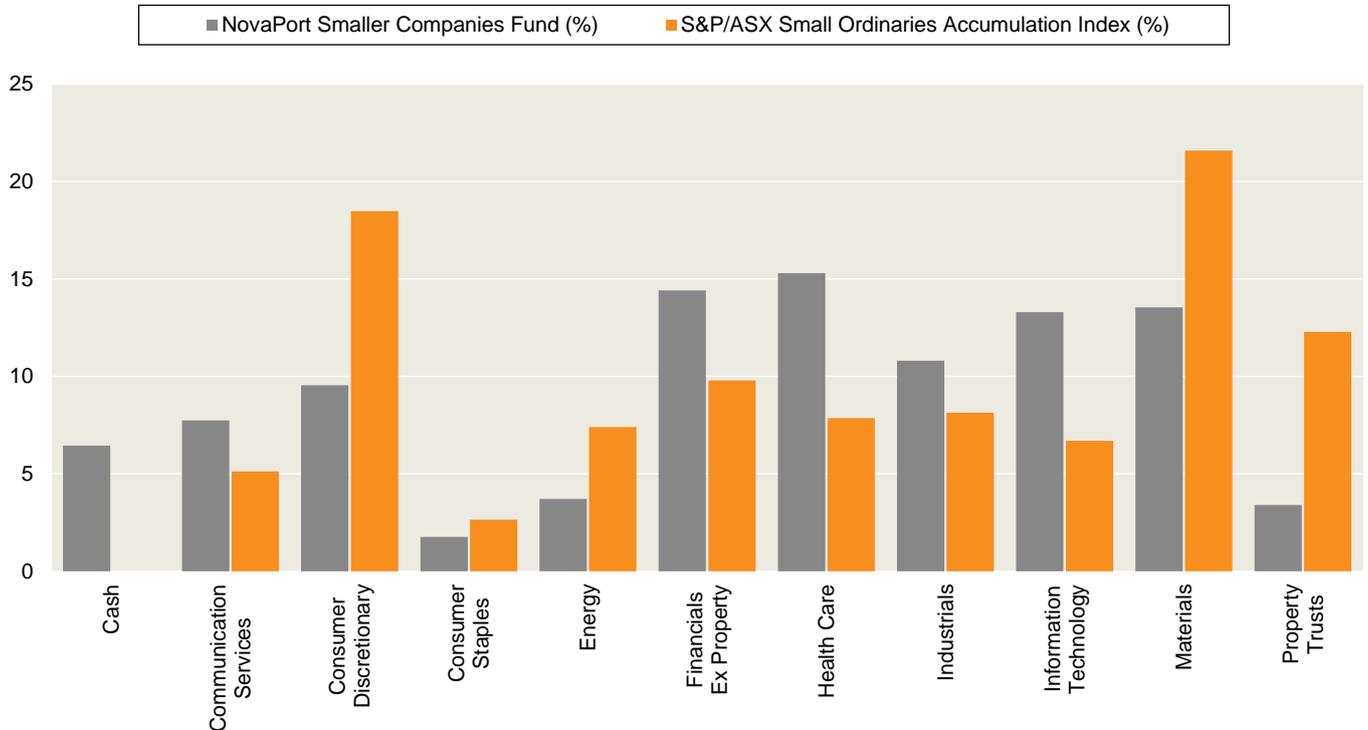
Fees

Entry fee	Nil
2022-2023 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	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). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 29 February 2024.

¹ Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee was reduced to 0.90% p.a.

Sector exposure



Data Source: Fidante Partners Limited, 29 February 2024.

Market overview

Strong corporate earnings drove local shares higher last month as the Australian economy proves resilient in the face of Reserve Bank rate hikes. The ASX Small Ordinaries (Accumulation) Index rose 1.7% in February, with interim earnings broadly stronger than expected and notable outperformance from discretionary retailers, cyclicals, and technology companies. Strong pricing and cost control led to better earnings, although sales trends were patchier across a range of sectors.

Corporate activity spiked during reporting season with takeover bids for a range of ASX-listed companies including CSR, Altium, Boral and Alumina. Increased confidence in the economy and the trajectory of interest rates is supportive of mergers and acquisitions. While small cap industrials (+3.9%) were strong, small resources (-4.6%) were much weaker with notable softness in iron ore prices as China's economy continues to sputter.

Global markets were very buoyant in February with US equities hitting fresh highs. Superlative earnings from Nvidia drove the NASDAQ (+6%) higher and sustained investor optimism for artificial intelligence and technology stocks. The surge in equities comes despite markets anticipating fewer interest rate cuts and a later start to the central bank easing cycle.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.72% for February. The fund outperformed the market and delivered a +2.38% return over February.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Audinate Group Ltd	Information Technology	2.52	0.72
Regis Healthcare Ltd	Health Care	5.12	0.39
oOh!media Ltd	Communication Services	2.72	0.38

Data Source: Fidante Partners Limited, 29 February 2024.

Audinate Group Ltd

Audinate reported continued success in expanding the breadth of its core Audio networking platform and encouraging progress in video. The company has a leading position in its market and is expected to generate strong earnings growth over the medium term.

Regis Healthcare Ltd

Sharply higher aged wages costs (associated with the revised award) were offset by increased government funding, displaying a more rational approach to funding essential aged care services. Pleasingly, the company has secured acquisition opportunities which are delivering value to shareholders. Service delivery also performed well, overcoming labour shortages to deliver care minutes in line with required guidelines.



oOh!media Ltd

The interim result was positively received last month with management executing well in the outdoor advertising market which in turn is experiencing much higher demand than other media sub-sectors including radio and TV.

Key detractors

Security name	Sector	Active weight %	Value added %
Data#3 Ltd	Information Technology	2.63	-0.51
Australian Clinical Labs Ltd	Health Care	1.82	-0.51
KMD Brands Limited	Consumer Discretionary	1.28	-0.48

Data Source: Fidante Partners Limited, 29 February 2024.

Data#3 Ltd

Data #3's share price declined 14% in February giving back some of the 44% appreciation since November last year. Adding to the profit taking was a poorly received interim result that highlighted a bigger portion of earnings derived from interest income as opposed to profit from the sale of products and services. While this was flagged in a trading update released prior to reporting season, the weighting to interest income was above expectations.

Australian Clinical Labs Ltd

The market viewed Australian Clinical Labs' result as underwhelming and has taken a wait and see approach to the company's forecasts of a strong second half earnings. With the COVID-19 testing bonanza now well in the past, the company is focussed on getting the most out of its Collection Centres, rationalising these where necessary. Post pandemic, a shortage of GP's and increased telehealth consultations have also weighed on Pathology referrals. Any normalisation to pre-covid behaviours would accelerate earnings growth.

KMD Brands Limited

KMD's shares fell last month on a trading update that flagged revenues down for the six months to January 2024 versus last year. However, we note prior corresponding revenues were up significantly as the company benefited from post COVID reopening activity.

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 Smaller Companies Fund ARSN 094 601 475 (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.

