

Monthly Fact Sheet November 2021

Performance ¹	3 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-3.93	12.17	24.72	24.29	17.08
S&P/ASX Small Ordinaries Accumulation Index	-1.54	18.44	12.01	13.54	9.24
Active return	-2.39	-6.28	12.71	10.75	7.84
S&P/ASX Small Industrials Accumulation Index ³	-3.27	14.13	8.50	12.64	9.10
Active return	-0.66	-1.96	16.22	11.65	7.98

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	\$37.3M
Distribution frequency	Half-yearly

Top 3 active positions (alphabetical)
Aussie Broadband Pty Ltd
Step One Clothing Pty Ltd
Superloop Ltd

Stock attribution
Top 3
Step One Clothing Pty Ltd
Alliance Aviation Services Limited
Aussie Broadband Pty Ltd
Bottom 3
Laybuy Group Holdings Ltd
Ai-Media Technologies Limited*
Airtasker Ltd

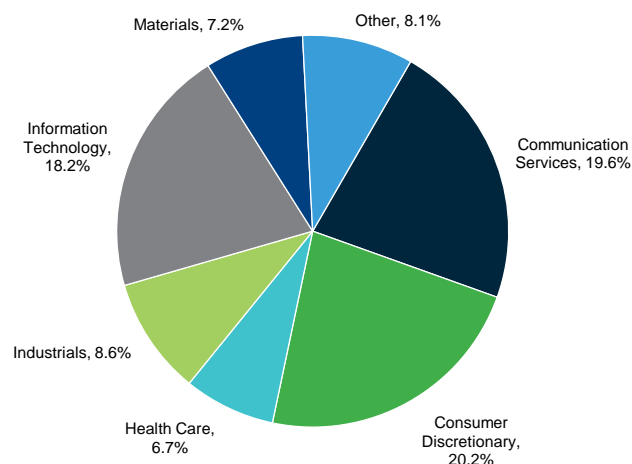
* Not held

Data Source: Fidante Partners Limited, 30 November 2021.

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	88.62	70-100
Cash	11.38	0-30

Sector exposure



Fund highlights

The Fund returned -3.70% (after fees) for the month of November, while the S&P/ASX Small Ordinaries Accumulation Index returned -0.31% and the S&P/ASX Small Industrials Accumulation Index returned -1.45% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included men's underwear retailer Step One Clothing, aviation services company Alliance Aviation Services and teleco services business Aussie Broadband. Step One Clothing rallied 82% in the first month of trading as the market realises the underlying growth potential of the business, particularly offshore. Alliance Aviation Services was up 12.8% following its better than anticipated AGM. The fleet expansion is on track to deliver strong results which confirmed overall FY22 consensus expectations, with a positive outlook beyond FY22. While Aussie Broadband rose 7.4% for the month after its AGM at the end of October. The ACCC also released sector data for the NBN for the 1Q22 period and ABB took 31% of net new adds – a record market share gain for the business.

The largest detractors from performance included buy-now-pay-later operator Laybuy Group Holdings, captioning software company Ai-Media Technologies and business marketplace Airtasker. Laybuy Group was down 40.8% after releasing their 1H22 result to the market – confirming they are operating on thin margins and also restating some previously announced financial metrics. Ai-Media Technologies lost 26.6% following a broker report that highlighted potential cannibalisation of the premium offering by shifting towards SaaS. Airtasker was down 12.7% as the market began to price in the negative impact which an omicron-induced lockdown would have on the business.

During the month, Lennox topped up its position in Universal Store Holdings (UNI). The business has been growing significantly and has a firm target of 100 stores across Australia and New Zealand. With a tight control over the supply chain strategy, rollout plan and execution on the private label brand (Perfect Stranger), we believe the business will be able to deliver shareholder returns.

Market overview

The S&P/ASX Small Industrials Index was down 1.45% during the month, underperforming the Small Resources Index which was up 3.6% in November. The S&P/ASX Small Ordinaries Index was down 0.31% in November, outperforming the S&P/ASX100 by 0.6%.

Information Technology was the best performing sector in November, up 5.65%, followed by Communications Services (+0.04%) and Healthcare (-0.1%). Consumer Discretionary was the worst performing sector over the past month, returning -4.44%, followed by Industrials (-3.7%) and Financials (-3.06%).

The top performers of the month were battery materials company Novonix, artificial intelligence business BrainChip Holdings and financial solutions company EML Payments. Novonix shares were up 61.5% as they opened a new facility in Chattanooga. Shares in BrainChip Holdings rose 30.9% as it partnered with MegaChips to develop nextgen Edge-based AI solutions. EML Payments was up 22% in November as the CBI update showed it allows new customer acquisitions.

The worst performers of the month were fintech company Tyro Payments, map software business Nearmap and packaged software company Nuix. Tyro Payments lost 28.7% last month following a weak trading update at the AGM. The business has demonstrated gross margin/TTV pressure due to a change in mix from Bendigo Bank. Nearmap closed down 27.6% after providing a \$150-160, ACV guidance and \$30m net consumption of cash. Nuix shares were down 26.6% as the business updated the market that FY22 YTD ACV is flat compared to FY21 with increasing costs.

What's making waves

During the month of November, market volatility continued as the world saw a spreading of the new omicron covid-19 variant. The risk from omicron broadly relates to the global economic reopening and GDP growth, as the strain appears to evade vaccine protection on some level. This could impact on the travel and tourism industries as well as other related industrial sectors. At Lennox we remain conscious there will likely be ongoing turbulence caused by different coronavirus strains and actively engage with management teams to fully understand their unique situation. We employ a bottom-up approach that ensures we stay focussed on company-specific matters faced by the businesses we invest in, looking through the short-term macroeconomic conditions and focusing on long-term value.

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 498737) Lennox, the investment manager of the Lennox Australian Microcap Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) 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 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 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.