

# NovaPort Microcap Fund

## Quarterly report - March 2022

Performance <sup>1</sup>	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	3.25	-1.67	12.58	13.78	10.05	10.54	7.21	10.18
Growth return	2.97	-1.93	-2.97	6.74	5.64	7.80	3.47	5.56
Distribution	0.28	0.26	15.54	7.04	4.41	2.74	3.74	4.62
S&P/ASX Small Ordinaries Accumulation Index	5.26	-4.21	9.68	9.62	9.90	6.02	2.62	5.23
Active return <sup>3</sup>	-2.01	2.55	2.90	4.16	0.15	4.52	4.58	4.96

**Past performance is not a reliable indicator of future performance.**

<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 22 March 2005

<sup>3</sup> 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	83.32	80-100
Cash	16.68	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Monash IVF Group Limited	5.73	0.00	5.73
Calidus Resources Ltd	4.85	0.00	4.85
NZME Ltd	4.54	0.00	4.54
GR Engineering Services Ltd	4.48	0.00	4.48
Capral Limited	3.51	0.00	3.51

### Fund facts

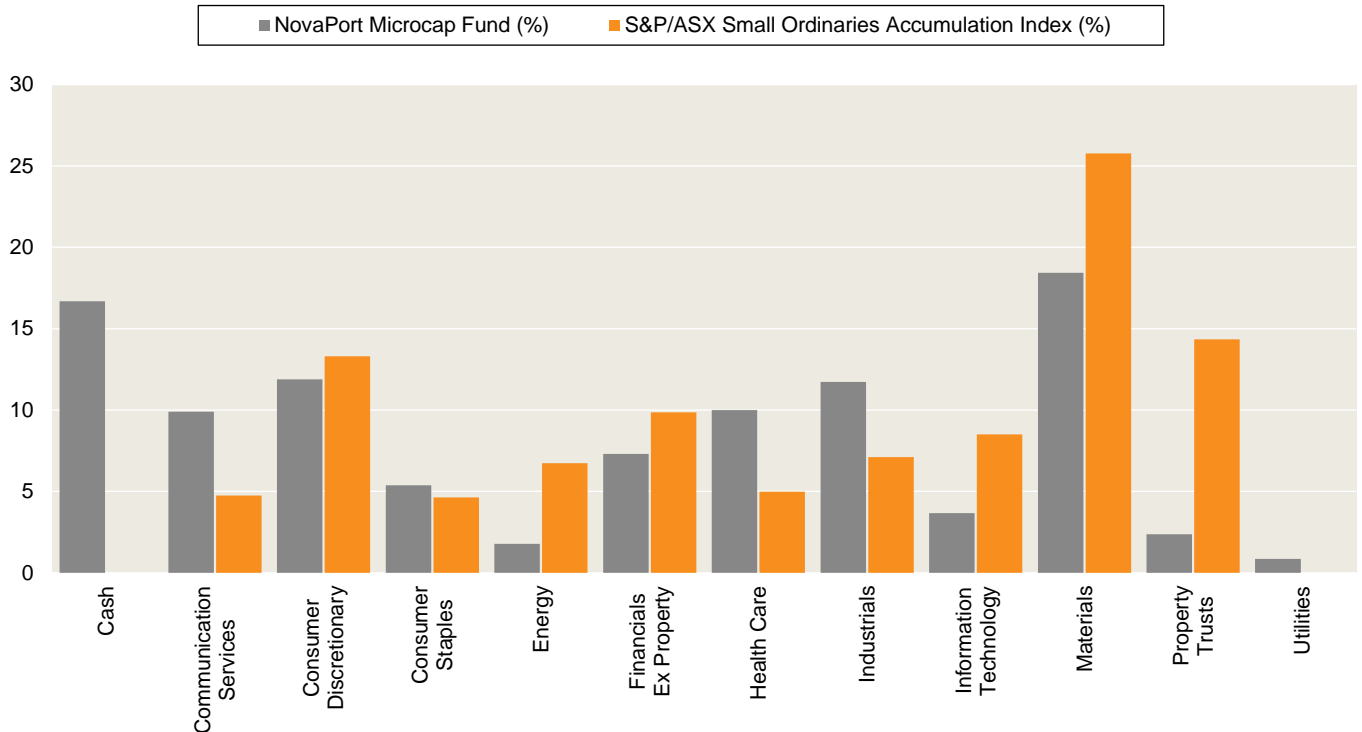
Inception date	22 March 2005
Fund size	\$88.3M
APIR code	HOW0027AU

### 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 March 2022.

## Sector exposure



Data Source: Fidante Partners Limited, 31 March 2022.

## Market overview

Resource stocks drove a sharp small company rally in March as conflict in Ukraine and ongoing inflationary pressure buoyed commodity prices.

The ASX Small Ordinaries (Accumulation) Index rose 5.3% last month, clawing back some of the January selloff to close 4.2% lower for the March quarter.

Russia's invasion of Ukraine and subsequent western sanctions pushed base metals and energy prices higher, fuelling another leg up for mining and energy stocks.

Small resources surged 12.7% last month while small industrials gained just 3%.

Russia is a major producer of timber, nickel, copper, coal, oil, and natural gas.

Disruption to the supply of these key inputs comes amid elevated demand for commodity-hungry goods in western economies and severe supply chain challenges.

This added price pressure on basic raw materials has given fresh impetus to already high inflation in western economies, particularly the United States, the United Kingdom, and Europe.

Central banks, led by the US Federal Reserve, have become increasingly hawkish about taming inflation with more aggressive interest rate hikes and balance sheet reduction (quantitative tightening).

Expectations are firming that the Reserve Bank of Australia will not lag its offshore peers too long and an Australian rate hike cycle is anticipated shortly after the federal election.

Loss-making and high valuation speculative stocks remained under pressure given the expected trajectory for interest rates.

Notwithstanding extremely complex macroeconomic challenges, growth remains robust in the domestic and global economy, underpinned by low unemployment and accumulated household savings.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -4.21% for the quarter. The fund outperformed the market and delivered a -1.67% return over the quarter.



## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
Calidus Resources Ltd	Materials	4.85	1.84
NZME Ltd	Communication Services	4.54	1.02
Monash IVF Group Limited	Health Care	5.73	0.93

Data Source: Fidante Partners Limited, 31 March 2022.

### Calidus Resources Ltd

Calidus has made substantial progress developing its Pilbara gold project. Commissioning of key plant and infrastructure has commenced. The immediate value driver is demonstration of sustainable production from stage one of the project. Another important driver is the imminent completion of the Blue Spec feasibility study. The Blue Spec project offers an attractive opportunity to feed incremental high grade ore through the established Warrawoona plant.

### NZME Ltd

NZME reported robust earnings and a stronger dividend. The company has transformed from indebted to cash rich; and from shrinking to having growth opportunities. Current negotiations with Google and Meta are expected to highlight opportunities to drive value from NZME's news content.

### Monash IVF Group Limited

IVF provider Monash continues to see its earnings multiple expand after a run of strong performance and sustained high levels of demand for its services. Takeover interest in listed peer Virtus has further highlighted value in the sector.

### Key detractors

Security name	Sector	Active weight %	Value added %
Fleetwood Ltd	Consumer Discretionary	2.01	-0.62
Whitehaven Coal Ltd	Energy	-1.46	-0.62
Imricor Medical Systems Inc	Health Care	1.22	-0.60

Data Source: Fidante Partners Limited, 31 March 2022.

### Fleetwood Ltd

Fleetwood shares remained under pressure following a disappointing first half result driven by poor margin outcomes in its modular building business. However, the outlook remains robust for its other two business lines and demand for modular building is improving.

### Whitehaven Coal Ltd

Not Held by Fund.

### Imricor Medical Systems Inc

As a relatively early stage medical devices company, Imricor has been caught up in the recent global sell down of technology companies. Nevertheless, sales activity across Europe has ramped up as the Omicron wave subsides and hospitals re-focus on capex and investing programs which have been sidelined for almost two years. Pleasingly, Imricor has recently demonstrated some success in signing several new sites for its unique MRI guided solution for atrial fibrillation corrective surgery, most recently with the announcement of their fifteenth and first facility in Italy.

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#### 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 385329) NovaPort, the investment manager of the NovaPort 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](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. NovaPort 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, NovaPort 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.

