

Lennox Australian Small Companies Fund

Small company investors building long-term wealth

About the Fund

Launched in April 2017, the Lennox Australian Small Companies Fund (**the Fund**) is an actively managed, style-agnostic portfolio that invests in a broad range of small-cap industrial companies.

The Fund's objective is to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long-term, net of fees.

About Lennox Capital Partners

Lennox Capital Partners (**Lennox**) is an active, boutique investment manager based in Sydney and majority owned by its principals, specialising in Australian small- and micro-cap companies.

Lennox was founded in 2017 by James Dougherty and Liam Donohue, who each have more than 20 years of experience in small-cap investing. The pair have worked together as a team for a considerable time and are able to draw on their extensive market experience and industry contacts in identifying investment opportunities.

Lennox's philosophy and investment process capitalise on the inefficiencies in the small- and micro-cap segment of the market, to create value through active management.

Our Partner

Fidante is the responsible entity of the Fund and has appointed Lennox as the Fund's investment manager. Fidante provides all back office, administration and retail distribution services.



Key Features of the Fund

- **Alignment:** the Lennox principals are majority owners of the firm and are materially co-invested alongside clients
- **Research:** Lennox conducts deep-dive research 'on the ground' to identify compelling small-cap investment opportunities
- **Conviction:** Lennox builds a concentrated portfolio of high-quality Australian small-cap industrial companies

Approach

Lennox's approach is built on the belief that structural, cyclical and company-specific change is mispriced by the market in the short-term, and that by adopting a medium-term investment horizon and independently forecasting company earnings, investors can exploit this mispricing.

When forecasting earnings, Lennox believe:

1. **The qualitative attributes of a company influence the ability of investors to forecast real earnings**
2. **A small number of key drivers will determine a company's future earnings**
3. **Market expectations of short-term earnings must be met**

In particular, Lennox seeks to identify companies with predictable and sustainable earnings profiles. This has historically resulted in an ex-resources bias, as resource companies have earnings that are often driven by volatile commodity prices rather than company fundamentals alone.



Investment Process

We use a repeatable four-step process in building the portfolio:



Step 1 - Idea Generation

We seek to identify investment ideas arising due to structural, cyclical or company-specific change, including by comparing valuations against historical ranges, utilising systematic screens and participating in corporate events like IPOs.



Step 2 - Quality Score

We assess businesses on four qualitative factors to identify investment grade companies whose earnings can be accurately forecast: management quality, business sustainability, industry dynamics, and earnings quality.



Step 3 - Fundamental Research

We combine desktop-based research with 'on the ground' insight to identify the key drivers of a company's earnings and ultimately to value the business. Here we aim to find companies with significant medium-term valuation upside and minimal short-term earnings risk.



Step 4 - Portfolio Construction

Successful investment candidates are then added to a conviction-weighted portfolio of 20-40 stocks, with a strong emphasis on portfolio risk management. We aim to deliver a true-to-label portfolio with less volatility than the market and high active share compared to the benchmark.

Portfolio Managers



James Dougherty
Principal & Portfolio Manager



Liam Donohue
Principal & Portfolio Manager

A proven and aligned investment team with a differentiated process

Fund Characteristics

Objective

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (after fees)

Minimum Suggested Investment Timeframe

At least five years

Inception Date

28 April 2017

Benchmark

S&P/ASX Small Ordinaries Accumulation Index

Number of Holdings

20 to 40 securities

Minimum Initial Investment

\$10,000, or \$1,000 with Regular Savings Plan

Distribution Frequency

Half-yearly

Management Fee

1.10% p.a.

Performance Fee

15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index (after fees)

Investment Universe

Primarily companies outside the top 100 ASX listed companies

APIR Code

HOW3590AU

Find Out More

For more information, please contact your local Fidante Business Development Manager, call us on **1300 721 637** or visit us at: www.lennoxcapitalpartners.com.au

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