

### Monthly Fact Sheet April 2024

Performance <sup>1</sup>	3 month %	1 year %	3 years % p.a	5 years % p.a	7 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	5.85	19.44	1.91	5.41	9.87	9.87
S&P/ASX Small Ordinaries Accumulation Index	3.33	7.36	0.02	3.93	6.35	6.35
Active return	2.52	12.08	1.89	1.48	3.52	3.52
S&P/ASX Small Industrials Accumulation Index <sup>3</sup>	2.13	10.42	-1.34	2.56	5.29	5.29
Active return	3.72	9.02	3.25	2.85	4.59	4.59

**Past performance is not a reliable indicator of future performance. Numbers may not add due to rounding.**

<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 28 April 2017

<sup>3</sup> 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	
<b>Portfolio managers</b>	James Dougherty, Liam Donohue
<b>Inception date</b>	28 April 2017
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (before fees)
<b>Management fee</b>	1.10% p.a.
<b>Performance fee</b>	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Performance Benchmark
<b>Buy/sell spread</b>	+0.39% / -0.39%
<b>Fund size</b>	\$212.0M
<b>Distribution frequency</b>	Half-yearly

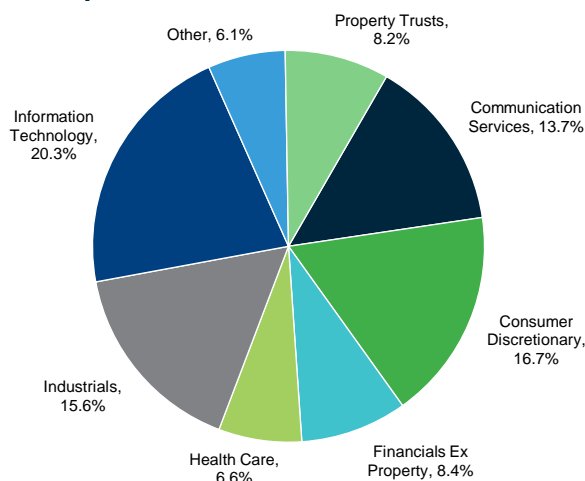
Top 3 active positions (alphabetical)
GQG Partners Inc
NEXTDC Ltd
Siteminder Ltd

Stock attribution
<b>Top 3</b>
Telix Pharmaceuticals Ltd
GQG Partners Inc
Universal Store Holdings Ltd
<b>Bottom 3</b>
Reliance Worldwide Corp Ltd
PEXA Group Ltd
Alumina Limited

Fund features
<b>An actively managed portfolio of small companies:</b> Lennox invests using both qualitative screening and in-depth fundamental research to identify investment opportunities.
<b>Experienced investment team:</b> The investment team has a long and successful history investing in Australian small and micro-cap companies.
<b>A refined and tested investment process:</b> Lennox have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
<b>Risk aware:</b> Lennox embed risk management at the centre of their investment philosophy and portfolio construction.

Asset allocation	Actual %	Range %
Security	95.75	80-100
Cash	4.25	0-20

### Sector exposure



## Fund highlights

The Fund returned -2.6% (after fees) for the month of April, while the S&P/ASX Small Ordinaries Accumulation Index returned -3.1% and the S&P/ASX Small Industrials Accumulation Index returned -5.0% (the Small Industrials index excludes resources and energy companies, which the Fund does not invest in).

The largest contributors to performance included overweight positions in pharmaceutical Company Telix, global fund manager GQG Partners and youth apparel retailer Universal Stores. Shares in Telix rallied 16.8% after delivering a stronger than expected Illuccix sales outcome in Q1. GQG Partners rose 2.7% against a difficult backdrop for businesses leveraged to the sharemarket, offset by another strong quarter of fund performance and net inflows (US\$4.6bn). Universal advanced 7.9% on no company specific news.

The largest detractors from performance included overweight positions in plumbing services company Reliance Worldwide and property technology company PEXA, along with an underweight position in alumina & bauxite producer Alumina. Shares in Reliance retreated 9.9% as the market repositioned for interest rates to stay higher for longer. Shares in PEXA fell 9.6% as a UK-based startup in the property sector that views themselves as a potential competitor to the UK business received investment from the top-3 national lenders. Shares in Alumina rallied 14.4% due to implications from Alcoa's first quarter earnings release.

During the month, the fund added to its position in NextDC through the company's placement at \$15.40/share. We see the valuation as compelling and remain constructive on the company's medium earnings trajectory. From a thematic perspective, we believe the market is currently underestimating the wave of demand that AI will bring and the subsequent earnings growth from this demand.

## Market overview

Materials was the best performing sector in April, up 3.2%, followed by Health Care (+2.9%) and Information Technology (-2.4%). Consumer Discretionary was the worst performing sector over the month, down 8.9%, followed by Real Estate (-8.1%) and Financials (-4.8%).

The top performers for the month included stem cell technology company Mesoblast, specialty chemicals company Alpha HPA and lithium miner Ioneer. Shares in Mesoblast rallied 78.4% following a positive update from the FDA, notifying the Company that the clinical data from previous phase 3 trials is sufficient to support the approval submission. Shares in Alpha HPA increased 23.3% on the back of receiving approval for a \$400m loan facility from Australian Government. Ioneer bounced 21.9% as the Company's Rhyolite Ridge project progressed towards construction after successfully completing a US\$25m placement.

The worst performers for the month included online retailer Kogan.com, casino operator Star Entertainment and luxury e-commerce player Cettire. Kogan.com retraced 35.0% after delivering a softer than expected Q3 trading update that failed to demonstrate an improvement in sales despite lapping easier comps. Shares in Star Entertainment plunged 29.6% due to a softer than expected third quarter trading update and ongoing speculation the company could lose its license to operate its Sydney casino. Cettire dipped 26.2% following a mixed trading update that reflected positive top-line momentum but disappointed from an Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) margin perspective in the context of consensus earnings expectations.

## What's making waves

Equity markets softened in April, with the Small Ords index (-3.1%) modestly underperforming the large cap ASX100 index (-2.9%). Markets grappled with the 'higher for longer' interest rate rhetoric as key inflation prints in the US and Australia surprised to the upside on the back of stubborn services inflation and persistent wage growth. Domestically, performance in the consumer space began to turn with a soft March retail sales print (-0.4% vs consensus +0.2%), followed by several negative updates from the supermarket majors as well as other consumer bellwethers Wesfarmers (owner of Bunnings, Kmart and Target) and Bapcor (Autobarn, Burson Auto Parts). Higher growth e-commerce retailers Kogan.com and Cettire also saw poor performance on the back of weaker than expected trading updates, finishing the month down 35% and 26% respectively. While the retail sector had traded well early in 2024 we were cautious of extrapolating the early-year surprise into a trend, and reduced our exposure there as a result. We are watching data points over coming months with interest as we aim to find a compelling entry point for our investors in order to capitalise over the medium term.

**For further information, please contact:**

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