

# Lennox Australian Small Companies Fund

Investing in the leaders of tomorrow



## The Lennox Australian Small Companies Fund

The Lennox Australian Small Companies Fund (**the Fund**) was launched in May 2017. It is an actively managed, style-agnostic portfolio that invests in a broad range of sustainable<sup>1</sup> smaller companies.

The Fund's objective is to identify companies with compelling medium term valuations that satisfy our ESG (Environmental, Social and Corporate Governance) criteria and we believe will not disappoint the market.

## About Lennox Capital Partners

Lennox Capital Partners (**Lennox**) is an active boutique investment manager based in Sydney and majority owned by its principals. Lennox invests with a fundamental, bottom-up and sustainable focus specialising in Australian small and microcap companies.

Lennox was founded in 2017 by James Dougherty and Liam Donohue, ex-Portfolio Managers of the Macquarie Australian Small Companies Fund, who consistently delivered top quartile performance compared to peers.

The pair have worked as a team for a considerable time and are able to draw on a vast amount of industry and small-cap investing experience.

Lennox's philosophy and process capitalises on the inefficiencies in the small and microcap segment of the market, aiming to identify at an early stage those companies who are the beneficiaries of change – the leaders of tomorrow.

## 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

- **An actively managed portfolio of sustainable small companies:** We invest using both qualitative screening and in-depth fundamental research 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:** We have a robust investment process which is combined with key insights gained through deep-dive research 'on the ground'.
- **Risk aware:** We embed risk management at the centre of our investment philosophy and portfolio construction.

## Approach

Lennox takes an active, fundamental approach to investing. We use our investment philosophy and process to exploit inefficiencies in the market that lead to pricing discrepancies and investment opportunities for our clients. We believe our active, fundamental approach allows us to gain key insights into the companies we invest in whilst avoiding those we believe will disappoint the market.

Our philosophy is based on the following three core beliefs:

- 1. The qualitative attributes of a company influence our ability to forecast real earnings**
- 2. A small number of key drivers will determine a business's success**
- 3. Short-term earnings expectations must be met.**

Through the application of these beliefs, we aim to benefit from change by being exposed to the economic winners of social, structural and company change. In addition, our 'no surprise' mindset permits us to invest only in transparent businesses with strong management and forecastable earnings.

<sup>1</sup> Sustainable smaller companies are companies that satisfy all ESG-related criteria within the Lennox investment process. See PDS for full details.

## The Lennox Process

We use a repeatable four-step process which is an effective application of our investment philosophy.



### Step 1 - Idea Generation

We aim to identify potentially mispriced companies. We do this by excluding non-ESG industries and then looking for changes within an industry or company, comparing valuations against historical ranges, utilising systematic screens and participating in capital events like IPOs.



### Step 2 - Quality Score

We assess businesses on four qualitative factors to target our research towards companies that meet an appropriate quality and ESG standard. We focus on the ability of management, the sustainability of the business model incorporating a range of ESG factors, the quality of earnings and industry dynamics.



### Step 3 - Fundamental Research

We combine desktop-based research with 'on the ground' information gathering to identify the key drivers of the 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

Once companies have passed both the Quality Score and Fundamental Research stage we assemble a portfolio of 20-40 stocks with a strong emphasis on portfolio risk management. This aims 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, aligned investment team with a differentiated buy and sell 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

### Stock Numbers

Between 20 to 40 securities in Australian & New Zealand listed Securities

### Minimum Initial Investment

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

### Distribution Frequency

Half-yearly

### Management Fee

1.10%

### 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](http://www.lennoxcapitalpartners.com.au)