

NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 31 December 2012

Performance ¹					
	Quarter (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
Fund	7.95	25.98	13.64	1.81	10.65
Growth return	7.95	25.42	12.24	0.06	3.98
Distribution return	0.00	0.57	1.41	1.74	6.66
S&P/ASX Small Ordinaries Accumulation Index	2.04	6.58	-1.81	-6.94	2.69
Active return	5.91	19.41	15.45	8.75	7.95

Past performance is not a reliable indicator of future performance.

¹ Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

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 Limited

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		
	As at 31 December 2012 (%)	Range (%)
Securities	85	60-100
Cash	15	0-40

Top five active positions as at 31 December 2012			
	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International	5.36	0.00	5.36
1300 Smiles Limited	4.94	0.00	4.94
Saunders International	4.90	0.00	4.90
Codan Limited	4.90	0.00	4.90
Data No.3 Limited	4.73	0.00	4.73

Fund facts	
	Fund
Inception date	22/03/2005
Fund size (\$M)	31.05
APIR code	HOW0027AU

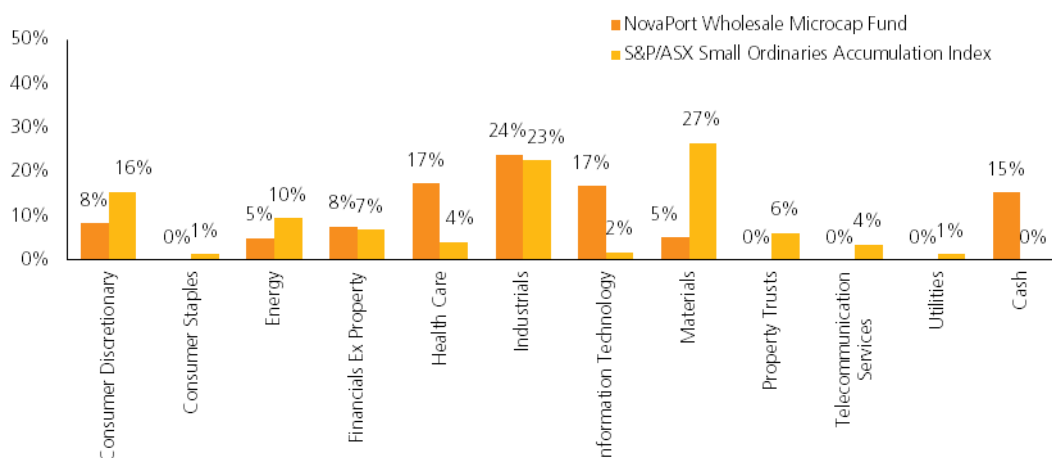
Fees	
	Fund
Entry fee	Nil
2011/2012 ICR	2.99%
Management fee	1.50% p.a.
Performance fee	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index.
Buy/sell spread	+0.40%/-0.40%



NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 31 December 2012

Sector exposure as at 31 December 2012



Commentary

The S&P/ASX Australian Small Ordinaries Accumulation Index gained 2.04% over the quarter, underperforming the ASX300 Accumulation Index which gained 6.77%.

Australian equities finished the year strongly with the S&P/ASX300 returning 19.7%, whilst the Small Ordinaries Index returned 6.58%. This trend was mirrored globally, with all major equity indices delivering positive returns in December. The MSCI World Index returned 16.5%, despite ongoing key risks in the macroeconomic environment. The lateness of the resolution to the US “fiscal cliff” saw markets fall from their peaks in December, however renewed confidence following the announcements saw both domestic and global markets rebound.

US economic data continued its positive momentum, with an additional 155,000 jobs added in December. Whilst the overall unemployment rate remained steady at 7.8%, the new jobs data saw the S&P500 index reaching its highest level in five years. China’s purchasing managers index (PMI) was in expansionary mode at 50.6 and elections and power transitions were successfully completed in China, the US and Japan, increasing political stability across a number of regions. Australia’s economic news remained mixed. An additional rate cut in December suggested a weakening outlook from the Reserve Bank of Australia (RBA) and consumer and business sentiment indices fell. Despite this, the unemployment rate fell to 5.2% although this may be due to a fall in the participation rate, and building approvals rose.

Performance

The portfolio outperformed its benchmark over the quarter. Key contributors to returns were overweight positions in Saunders International, Medical Developments International and Codan Limited. Detracting from returns was an overweight position in Clarius Group and overweight positions in Quickflix and Structural Systems.

Key contributors

Saunders International: up 49.83%

Saunders International is an Australian engineering and construction firm that specialises in the design, construction and maintenance of steel bulk liquid storage tanks, reservoirs and associated facilities. The business provides services for the oil and gas, resources, chemical and water industries and has benefitted from new contract wins.

Medical Developments International: up 33.12%

Medical Developments International is a pharmaceutical company that manufactures pain relief products and asthma medication delivery devices. During the quarter the company announced a contract to supply a major international pharmaceutical company and UK regulatory approval for an asthma delivery device.

Codan Limited: up 67.45%

Codan continued its recent strong share price run underpinned by AGM commentary in mid-October that strong business conditions experienced in the June half have carried into the current financial year. The company is having success in curtailing counterfeit suppliers of its metal detector devices which is leading to a rebound in sales.

Key detractors

Clarius Group: down 27.14%

Clarius Group is a leading specialist provider of contracting and recruitment services to corporate and government organisations across the Asia Pacific region. The company operates a number of specialist brands which have been impacted by a lack of activity in the hiring market.

Quickflix: down 68.89%

Quickflix is an online movie company that offers subscriptions to a large range of movies and TV shows that can be delivered as a DVD or streamed on demand direct to a range of electronic devices. The company underperformed following the resignations of the CEO and two board members. Following a protracted search for additional funding, the company recently announced it had secured funding for restructuring and growth plans.

NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 31 December 2012

Structural Systems: down 28.26%

Structural Systems comprises a group of subsidiary and associate companies which provide a range of engineering, mining and construction contracting services to global markets. The share price has suffered following downward earnings revisions after a number of clients within the mining services division have downsized their operations.

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Fidante Partners Limited (ABN 94 002 835 592, AFSL 234668) the issuer of the NovaPort Microcap Fund (ARSN 113 199 698) (**Fund**). NovaPort Capital Pty Limited (ABN 88 140 833 656, AFSL 385329) is the investment manager of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (**PDS**) relating to the Fund and consider that PDS before making any decision about the Fund. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. If you acquire or hold the product, we and/or a Fidante Partners related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the product. Neither Fidante Partners nor a Fidante Partners related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. NovaPort Capital, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.