

NovaPort Wholesale Microcap Fund

Quarterly report - December 2013

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Inception % p.a.
Fund return	-4.02	7.12	7.41	19.90	4.63	10.24
Growth return	-4.02	6.76	6.29	18.43	0.40	4.29
Distribution return	-	0.36	1.12	1.47	4.23	5.94
S&P/ASX Small Ordinaries Accumulation Index	-0.15	-0.76	-5.98	8.14	-2.95	2.29
Active return^	-3.87	7.88	13.40	11.76	7.58	7.95

Past performance is not a reliable indicator of future performance.

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.

^ 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.

Asset allocation	As at 31 December 2013 (%)	Range (%)
Security	87.78	60-100
Cash	12.22	0-40

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.

Top 5 active positions as at 31 December 2013	Fund weight (%)	Index weight (%)	Active weight (%)
Folkestone Ltd	5.86	0.00	5.86
1300 Smiles Limited	4.98	0.00	4.98
Capitol Health Ltd	4.79	0.00	4.79
Saunders International Limited	4.16	0.00	4.16
Royal Wolf Holdings Ltd	3.92	0.00	3.92

Fund facts

Inception date	22 March 2005
Fund size	\$35.0M
APIR code	HOW0027AU

Fees

Entry fee	Nil
2012-2013 ICR	6.00%
Management fee	1.50%
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%

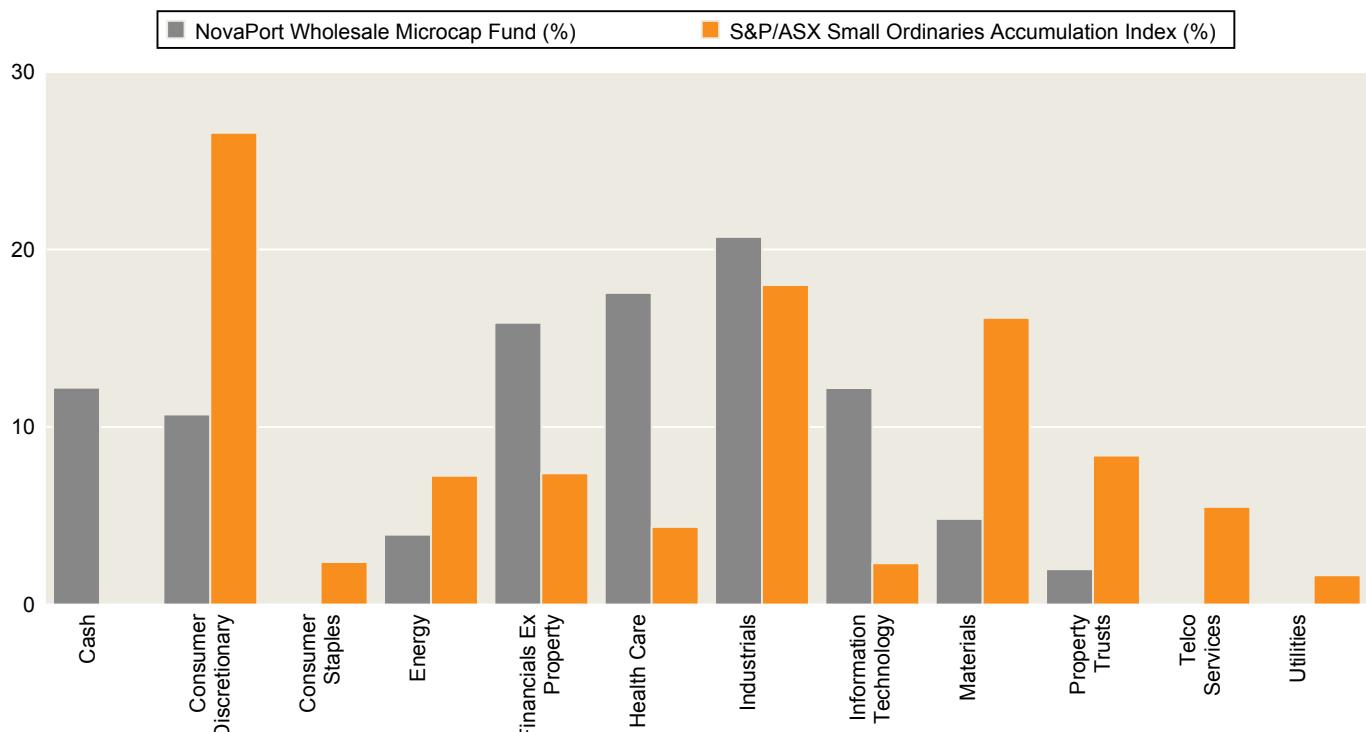
Quarterly

Suggested minimum investment timeframe

At least seven years



Sector exposure as at 31 December 2013



Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished the quarter with a 0.15% decline with November's 5.23% drop causing the most damage. Locally, AGM commentaries were the main focus for the quarter with QE tapering by the Federal Reserve in the US dominating international news flow. Overall, while companies in Australia are yet to see earnings improve post the election as well as multiple interest rate cuts, there does seem to be some consensus emerging that the 12 month outlook is looking brighter compared to that of recent years. Strong housing approval numbers and indications of a solid Christmas trading period for retailers are two examples that support this view. Meanwhile, for now at least, financial markets seem to have settled on the view QE tapering (confirmed in December) is a positive in that the Fed believes improvements in the US economy justify a reduction in stimulus as activity gains momentum.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.15% for the quarter. The fund underperformed the market and delivered a -4.02% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Eservglobal Limited	Information Technology	2.83	0.92
Fiducian Portfolio Services Ltd	Financials Ex Property	2.58	0.54
Corporate Travel Management Limited	Consumer Discretionary	3.29	0.51

Eservglobal Limited

During December eServGlobal reported an encouraging earnings result, returning to profitability following a weak FY12. The company also announced that MasterCard would join its HomeSend mobile payments joint venture, adding further scale to its payments platform.

Fiducian Portfolio Services Ltd

In the aftermath of the GFC, Fiducian embarked on a restructuring programme which coincided with a period of subdued markets and constrained fund flows. The company is now better positioned to capitalise on improving market sentiment and recent asset growth.



Corporate Travel Management Limited

Confirmation of guidance and more importantly the acquisition of Westminster Travel supported the company's strong price performance over the quarter. Westminster is a profitable travel services company with a 40 year history and offices in five Asian cities and territories.

Key detractors

Security name	Sector	Active weight %	Value added %
Southern Cross Electrical Engineering Ltd	Industrials	2.06	-1.31
Codan Limited	Information Technology	-0.11	-1.08
Calliden Group Limited	Financials Ex Property	2.23	-0.80

Southern Cross Electrical Engineering Ltd

Southern Cross Electrical highlighted the impact of project deferrals and increased competition in its core electrical contracting business. This has seen the order book reduce as the company has delivered on existing projects without having replaced these contracts with new work.

Codan Limited

Released a trading update in December highlighting difficult trading conditions in its metal detector segment in Africa (due largely to political instability in certain regions) as well as weaker than expected land mobile radio sales in the US due to cutbacks in government spending. The result was a downgrade to earnings outlook and commentary flagging volatile conditions impedes the management's ability to issue profit guidance for the current half.

Calliden Group Limited

Calliden lowered its profit guidance for FY13 (December balance date) in November leading to a fall in the share price. Increasing loss ratios on the Builders Warranty portfolio was the key driver of the profit downgrade. This highlights the volatile nature of it's insurance operations and supports the company's strategy to increase the contribution of agency revenue over time.

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