

NovaPort Wholesale Microcap Fund

Quarterly report - December 2016

Performance ¹	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	Inception % p.a ²
Fund return (net)	2.05	1.36	23.86	11.14	13.12	6.54	10.47
Growth return	1.40	0.71	21.95	9.72	12.07	3.10	5.65
Distribution	0.65	0.65	1.91	1.42	1.05	3.43	4.82
S&P/ASX Small Ordinaries Index	3.61	-2.45	13.18	6.25	4.87	-0.28	3.29
Active return ³	-1.57	3.81	10.68	4.90	8.25	6.82	7.18

Past performance is not a reliable indicator of future performance.

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

² The inception date for the Fund is 22 March 2005

³ 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.

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.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least seven years

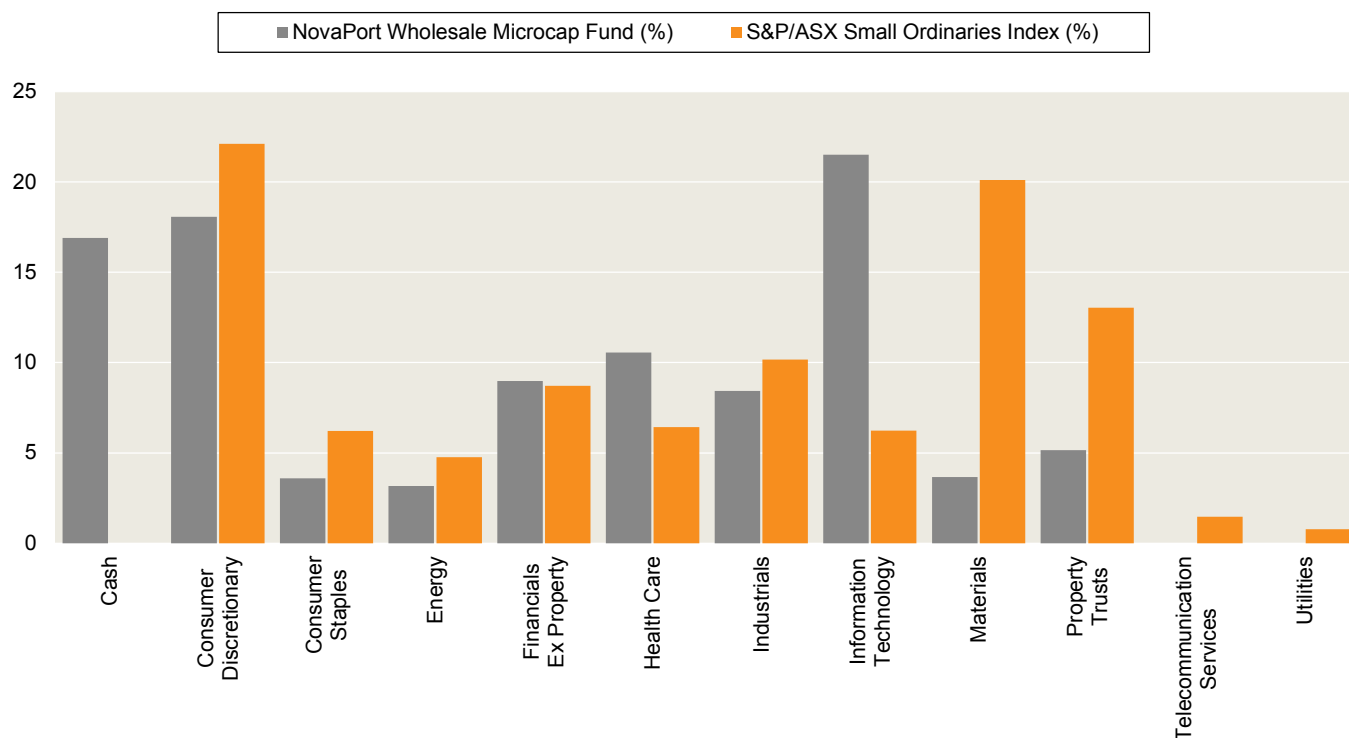
Asset allocation	Actual %	Range %
Security	83.11	60-100
Cash	16.89	0-40

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Fiducian Group Ltd	5.28	0.00	5.28
Codan Limited	5.04	0.00	5.04
Somnomed Limited	4.72	0.00	4.72
Think Childcare Ltd	4.47	0.00	4.47
Data No.3 Limited	4.24	0.00	4.24

Fund facts	
Inception date	22 March 2005
Fund size	\$46.9M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2015-2016 ICR	1.50%
Management fee	1.50%
Performance fee	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index).
Buy/sell spread	+0.30% / -0.30%

Sector exposure



Market overview

The Small Ordinaries Index fell 2.45% over the December quarter which was the first down quarter since September 2015. The resources and industrials sectors both contributed to the decline, down 1.70% and 2.63% respectively. Despite a weak quarterly finish to the calendar year the benchmark index finished up 13.18% over 2016 marking the best year for smaller companies since 2010 (up 13.05%).

The December quarter was notable for a number of political and economic events. By far the most topical was the election of Donald Trump despite pundits dismissing prospects for such an outcome over the months leading up to election day. Equity markets worldwide rallied on confirmation of the victory, spurred on by the stimulatory benefits of prospective infrastructure investment programmes, tax cuts and the roll back of regulations imposed over the last few years by the outgoing administration. The other notable event over the quarter was a sharp increase in the 10 year interest rate in the US. While there has been commentary that a Trump victory will be inflationary, debt funded and therefore likely to drive up interest rates we note the US 10 year bond yield had already started rallying in early July reflecting the Federal Reserve's drift from a dovish to more hawkish stance, thereby setting the foundation for a ramp up in rate rises over the medium term.

These macro dynamics influenced the smaller companies market locally with the prospect of higher interest rates (bad for high multiple stocks) and bullish sentiment regarding the US economic outlook combining with generally positive economic conditions here to underpin a continuation of the rotation from highly priced growth companies into what were previously ignored cyclical opportunities. While economic conditions are generally viewed as positive, a weak September quarter Gross Domestic Product report added a cautionary note towards the end of the year. However, whether this is followed by more weakness over the December quarter will be largely dependent on Christmas trading for the retailers and will become clearer towards the end of January.

Fund performance summary

The S&P/ASX Small Ordinaries Index returned -2.45% for the quarter. The fund outperformed the market and delivered a +1.36% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Gage Roads Brewing Co	Consumer Staples	3.59	1.45
Codan Limited	Information Technology	5.04	1.13
Fiducian Group Ltd	Financials Ex Property	5.28	1.13



Gage Roads Brewing Co

A recent capital raise, balance sheet restructure combined with a share register evolution all position Gage Road to transition from contract-brewing towards higher-margin craft beer. It has commenced the transition by focusing on building out its sales capability and delivering new products such as the Little Dove which recently won Champion Australian Beer at the 2016 Australian International Beer Awards

Codan Limited

Codan's strong share price performance reflects a continued re-rating by the market largely driven by very strong demand for metal detectors (assisted by the rising gold price) and a robust performance from its radio communications products. The company's share price rallied further in late November with the release of a profit upgrade driven by buoyant conditions over the first half of the current financial year.

Fiducian Group Ltd

Fiducian has continued to expand its financial planning business via earnings accretive acquisitions and strong funds under management growth. During the period the company stated it is seeing profit growth ahead of initial expectations. With its focus on growing revenue and cost control Fiducian is on track to deliver double digit earnings growth in 2016. We continue to view Fiducian as a conservatively managed financial services company.

Key detractors

Security name	Sector	Active weight %	Value added %
Rhipe Ltd	Information Technology	1.29	-1.13
NZME Ltd	Consumer Discretionary	2.44	-0.43
Sims Metal Management Limited	Materials	-1.38	-0.43

Rhipe Ltd

Rhipe's share price de-rated over 2016 on concerns regarding working capital requirements to fund growth, cost base management and increasing levels of competition notwithstanding a rapidly growing industry sector. While the stock rallied post the release of its full year result in August which included an update that alleviated some of these concerns, investors remain uncommitted at this stage and are awaiting the release of the upcoming interim result to assess sales growth levels, cost management and cash flow generation.

NZME Ltd

NZME's share price was adversely impacted in November by the release of a draft determination by the New Zealand Commerce Commission regarding the proposed merger between NZME and Fairfax Media's New Zealand subsidiary. The NZCC's preliminary view is that the proposed merger's negative aspects outweigh the benefits from the public's perspective. NZM and Fairfax will make further submissions in light of this draft determination in the hope of receiving a favourable final determination by the Commission which is due for release in March 2017.

Sims Metal Management Limited

Not held by the fund.

For further information, please contact:

Fidante Partners Investor Services | 13 51 53 | email: info@fidante.com.au | website: www.fidante.com.au

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 234 668 (Fidante Partners) the issuer of the NovaPort Wholesale Microcap Fund ARSN 113 199 698 (Fund). NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort) 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, 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.

