

NovaPort Wholesale Microcap Fund

Quarterly report - September 2016

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	12.13	27.09	9.13	13.35	8.77	10.58
Growth return	12.13	25.03	7.97	12.05	4.64	5.71
Distribution return	-	2.06	1.16	1.30	4.13	4.87
S&P/ASX Small Ordinaries Accumulation Index	8.50	29.16	7.07	5.26	1.43	3.58
Active return [^]	3.63	-2.08	2.06	8.09	7.35	7.00

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.

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

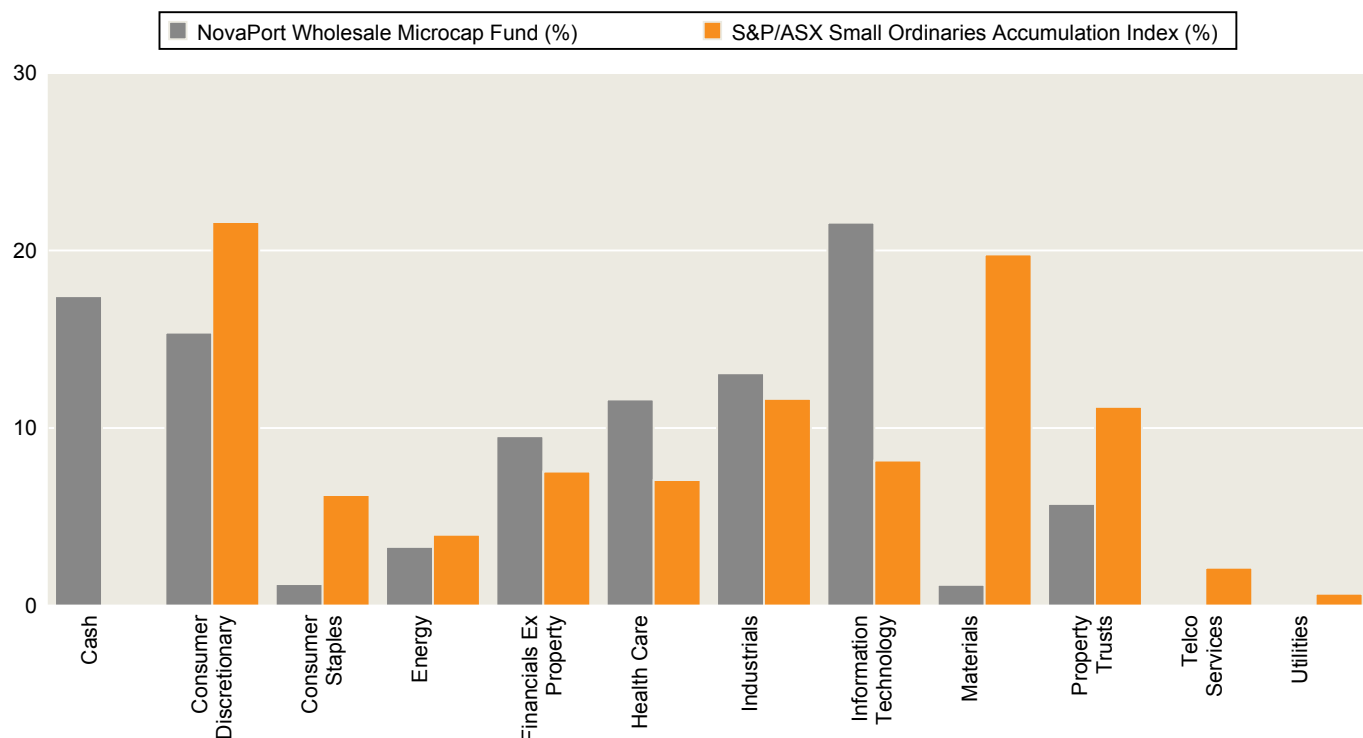
Asset allocation	As at 30 September 2016 (%)	Range (%)
Security	82.57	60-100
Cash	17.43	0-40

Top 5 active positions as at 30 September 2016	Fund weight (%)	Index weight (%)	Active weight (%)
GR Engineering Services Ltd	5.23	0.00	5.23
Fiducian Group Ltd	4.66	0.00	4.66
Skydive the Beach Group Ltd	4.65	0.00	4.65
Somnomed Limited	4.56	0.00	4.56
Data No.3 Limited	4.38	0.00	4.38

Fund facts	
Inception date	22 March 2005
Fund size	\$43.5M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2014-2015 ICR	2.26%
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 as at 30 September 2016



Market overview

The Small Ordinaries Accumulation Index posted a strong 8.50% return for the September quarter bringing the rolling one year performance to 29.16%. Industrials and resources contributed to the quarterly performance with both sectors up 8.52% and 8.15% respectively.

As discussed in our August update, the key event over the quarter was the release of 30 June earnings reports. To recap, results were generally in line with expectations (notwithstanding the usual hits and misses) with forecasts for the current financial year largely intact. Management commentary would suggest underlying conditions for the economy are relatively solid. Consumer and business confidence levels are supported by strong housing construction related activity as well as low interest rates, petrol prices and unemployment level. The absence of inflationary pressures across the broader economy saw the Reserve Bank cut interest rates by a further 25 basis points in August which will serve to keep the Australian dollar competitive thereby supporting import competing sectors.

Apart from economic and financial conditions, a key driver of share prices over the quarter was increased investor interest in lower priced value stocks at the expense of premium growth companies. This dynamic was reflected across capital markets globally with the prospect of higher interest rates (or at least the end of aggressive monetary stimulus driving down rates) prompting a switch from defensives, long duration growth stocks and bond type yield proxies (e.g. utilities, telecommunications companies and property trusts) into cyclical companies that have largely been ignored over the last 18 months.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +8.50% for the quarter. The fund outperformed the market and delivered a +12.13% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
GR Engineering Services Ltd	Industrials	5.23	2.30
Data No.3 Limited	Information Technology	4.38	1.41
Cooper Energy Limited	Energy	3.30	1.39

GR Engineering Services Ltd

GR Engineering has proven itself to be one of the best managed companies in the mining services sector. While the company has benefited from the strong Australian dollar gold price, operational execution and balance sheet management has exceeded expectations for a number of years and has been rewarded by increased investor interest.

Data No.3 Limited

Data #3's full year result validated the success of its transition from hardware reseller with a solutions expertise to a vertically integrated managed services provider in a cloud based world. In addition, there is increasing anecdotal evidence of growing investment in IT related capability by companies across a number of sectors in the economy.

Cooper Energy Limited

Cooper Energy's share price recovered from relatively oversold levels as the company has continued to progress its projects in the Gippsland Basin. Lower oil prices have hurt profitability and cash flow, however management continue to execute well, rationalising the asset base and have enjoyed some success in marketing the Australian gas resources.

Key detractors

Security name	Sector	Active weight %	Value added %
Pureprofile Ltd	Information Technology	2.76	-1.09
Medical Developments International Limited	Health Care	1.79	-0.92
MOQ Limited	Information Technology	1.74	-0.77

Pureprofile Ltd

Pureprofile released a strong full year result with strong earnings growth expected in the current financial year as the business leverages its consumer profile database and customer loyalty platform. Further earnings momentum is expected from the recently announce acquisition of Cohort Group which is a digital marketing business providing lead generations for advertising client.

Medical Developments International Limited

Medical Development's share price is up nearly 370% in the last two years on the back of successful efforts to position its pain relief product, Pentrox into international markets. The recent share price reflects profit taking as some investors seek to crystallise significant capital gains.

MOQ Limited

MOQ is an emerging IT services company with rapidly growing revenues as it leverages recent acquisitions. Scale benefits of an enlarged revenue base with diverse service capability are expected to be realised over the medium to longer term.

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