

NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 30 June 2012

Performance¹

	Quarter (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	Since inception (% p.a.)
Fund	-6.85	0.01	18.32	-2.86	9.37	8.27
Growth return	-6.85	-2.34	16.61	-4.92	2.14	1.37
Distribution return	0.00	2.34	1.71	2.07	7.23	6.90
S&P/ASX Small Ordinaries Accumulation Index	-15.30	-14.61	3.39	-8.89	1.86	1.61
Active return	8.45	14.62	14.93	6.03	7.51	6.66

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 30 June 2012 (%)	Range (%)
Securities	87	60-100
Cash	13	0-40

Top five active positions as at 30 June 2012

	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International	7.85	0.00	7.85
1300 Smiles	6.31	0.00	6.31
Southern Cross Electrical Engineering	5.21	0.00	5.21
Data No.3	4.75	0.00	4.75
Clover Corporation	4.27	0.00	4.27

Fund facts

	Fund
Inception date	22/03/2005
Fund size (\$M)	26.6
APIR code	HOW0027AU

Fees

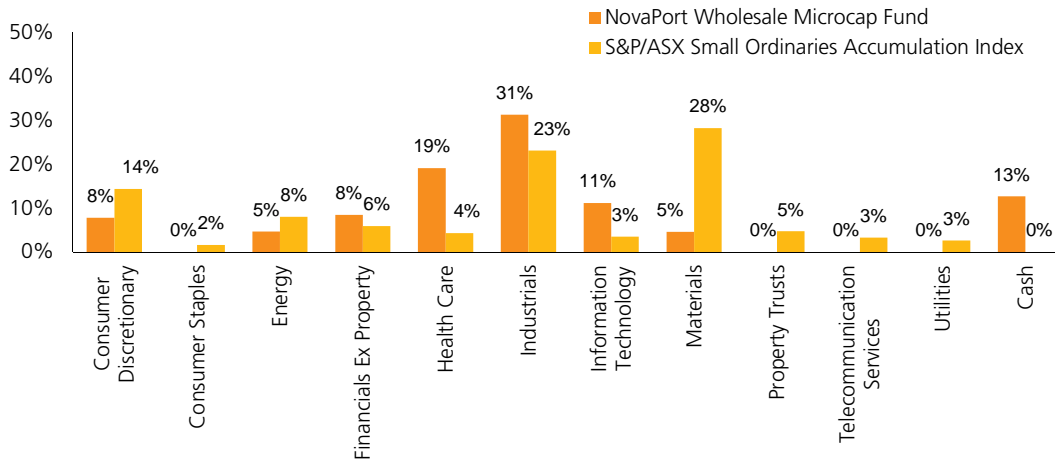
	Fund
Entry fee	Nil
2010/2011 ICR	1.50%
Management fee	1.50% p.a
Performance fee	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index.
Buy/sell spread	+0.40%/-0.40%



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Sector exposure as at 30 June 2012



Commentary

The S&P/ASX Australian Small Ordinaries Index retreated 15.30% over the June quarter. The Small Ordinaries Index underperformed the ASX300 index which also retreated, losing 5.02%.

Over the quarter the outlook for the domestic economy remained mixed with the two speed economy remaining a feature. The RBA board delivered two successive rate cuts, resulting in a drop of 75 basis points to 3.50%. Subsequently rates have been left on hold with the expectation that a further rate cut is not on the cards until later in the year. The cuts were instigated to stimulate the economy following moderating growth in China and the ongoing European crisis both of which could result in softer domestic growth prospects in the second half of the year. Despite the rate cuts, struggling sectors have largely continued to underperform with business conditions and confidence surveys reaching three year lows. This lack of confidence was reflected in the ongoing equity market weakness. Furthermore the ANZ job advertisements survey fell every month of the quarter, with the largest declines in the mining boom states.

The European debt crisis continued to dominate the headlines throughout the quarter with the outcomes of French and Greek elections affecting the European Union's plans. Whilst the political uncertainty resulted in declining markets in May (MSCI World - 8.7%), more than half the losses were recouped again in June (+4.9%) following the resolution of a reasonably successful EU summit.

Performance

The portfolio outperformed its benchmark over the quarter. Key contributors to returns were overweight positions in Medical Developments International, 1300 Smiles and Alesco Corporation. Detracting from returns were overweight positions in WDS Limited, Coffey International Limited and Cooper Energy.

Key contributors

Medical Developments International: 39.49%

Medical Developments International is a pharmaceutical company that manufactures pain relief products and asthma medication delivery devices. The company reported a record result for the 1H FY12, which saw net profits increase 44% from the previous period.

1300 Smiles: 13.59%

1300 Smiles, an operator of dental surgeries, opened an additional practice and continued to outperform given its non-cyclical nature. The company is expanding its presence nationally and has a strong track record of successfully acquiring and integrating new practices.

Alesco Corporation: 27.96%

Alesco Corporation has significantly underperformed the market over some time, reflecting the weakness in the domestic building sector. However a takeover over from Dulux Group valued the shares at a 43% premium and sent the share price soaring.

Key detractors

WDS Limited: -36.83%

WDS is an integrated provider of engineering, construction and maintenance services to a cross section of energy, mining and infrastructure sectors. The company has a substantial asset base and little debt, however earnings have suffered from the impact on lower client activity generally and a client request to suspend operations at one of its mining projects.

Coffey International: -46.54%

Coffey International provides specialist consulting services in Australia and internationally with expertise in geotechnical, environmental and mining engineering. The stock suffered after management downwardly revised earnings guidance for the financial year. The revised guidance was largely due to a non-cash write down of the remaining goodwill attributed to the Project Management business following completion of detailed bottom up strategy review. The Project Management business contributes less than 10% of Coffey's total revenue and has faced tough commercial property market conditions.

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Cooper Energy: -32.06%

Cooper Energy is an oil and gas production and exploration company. Over the quarter Cooper merged with Somerton Energy, via an off-market takeover. The merger was designed to grow Cooper Energy's presence in the Otway Basin. The stock fell on the back of weakening oil and gas prices due to an oversupply and lower demand. Persistent price deflation in consumer electronics.

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.