NovaPort Microcap Fund

Quarterly report - June 2018

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)	2.93	4.65	23.00	15.16	13.74	10.91	10.86
Growth return	2.55	4.27	22.30	14.08	12.67	9.44	6.52
Distribution	0.37	0.38	0.70	1.08	1.08	1.46	4.35
S&P/ASX Small Ordinaries Accumulation Index	1.06	7.67	24.25	15.02	11.56	2.59	4.70
Active return[3]	1.87	-3.02	-1.25	0.15	2.19	8.31	6.17

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

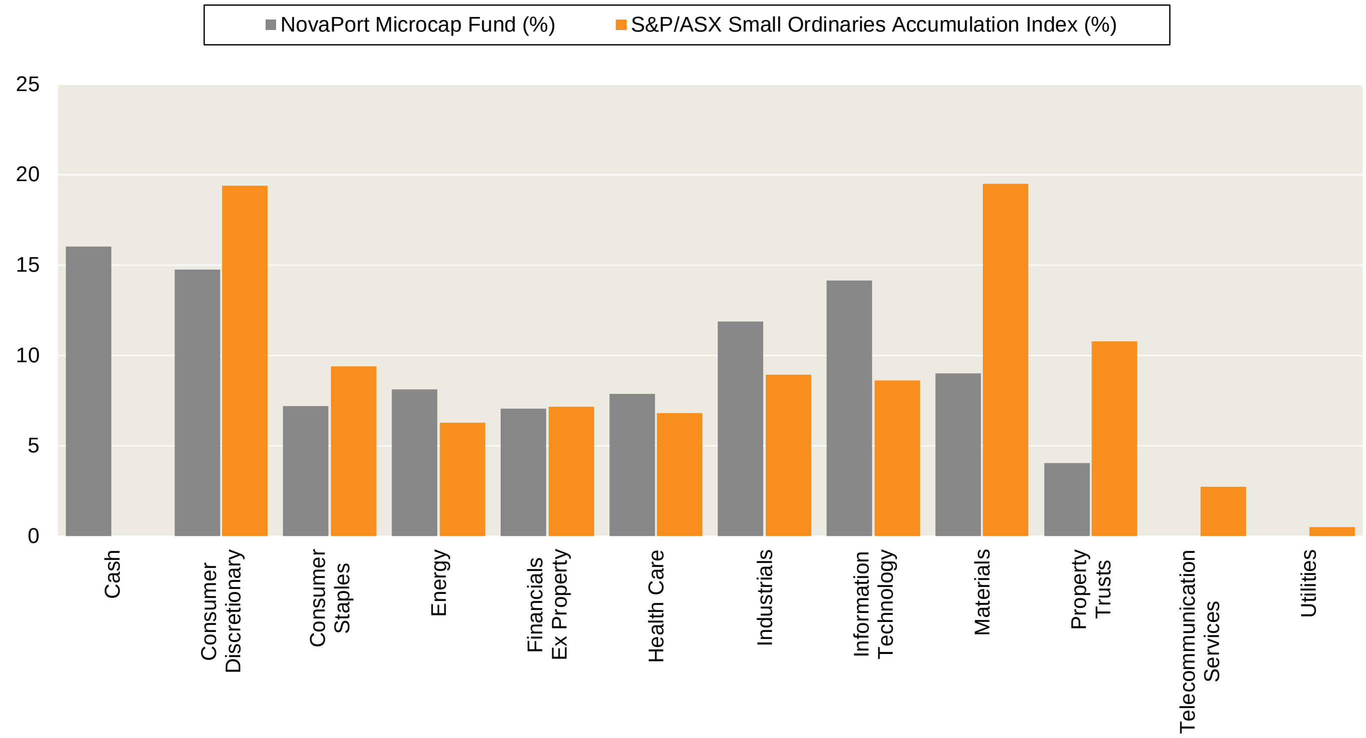
Asset allocation	Actual %	Range %
Security	83.99	80-100
Cash	16.01	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gage Roads Brewing Co	5.04	0.00	5.04
Rhipe Ltd	4.57	0.00	4.57
Australis Oil & Gas Ltd	3.38	0.00	3.38
Panoramic Resources Limited	3.36	0.00	3.36
Cabcharge Australia Limited	3.36	0.00	3.36

Fund facts	
Inception date	22 March 2005
Fund size	$98.3M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2016-2017 ICR	2.16%
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

Following a blistering 3.7% rise in May, the Small Ordinaries Accumulation Index delivered another positive month in June with a 1.0% gain. The market shrugged off concerns surrounding geo-political risks, tightening monetary policy and the sustainability of low volatility. The small cap benchmark delivered a strong 24.25% gain over the 2018 financial year (FY18).

The small resources aggregate delivered stronger returns than industrials during the year. Stronger energy, battery materials and base metals prices all provided impetus for the rally and resource services. Businesses also benefited from renewed investor interest.

Within the industrial sector outperformance was concentrated in relatively few names, evidenced by a median return less than half the average return for the sector. Despite a strong representation of technology and infant formula stocks within the top performers, we believe earnings revisions were the dominant common factor explaining stock outperformance during the year.

Companies were richly rewarded for earnings outperformance, enjoying disproportionate increases in price relative to earnings. As such the market enters FY19 with a subset of companies trading at substantially higher multiples than they did a year ago and with elevated earnings expectations for the year ahead. This has meaningfully raised the stakes leading into the forthcoming earnings season and investors will be looking for strong guidance to justify current multiples in these names.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.67% for the quarter. The fund underperformed the market and delivered a +4.65% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Clover Corp Ltd	Health Care	3.27	1.96
Praemium Ltd	Information Technology	3.33	1.01
Gage Roads Brewing Co	Consumer Staples	5.04	0.88

Clover Corp Ltd

A recent initiation of research by a mid-tier broking house, helped to bring investors' attention to Clover and its exposure to the burgeoning infant formula market. The company is set to benefit from expanding margins, as it enters contract renegotiations and diversifies both its suppliers and offtake partners.

Praemium Ltd

Praemium's Separately Managed Account offering is well positioned to deliver the functionality financial advisors are currently seeking. The company is progressing plans to expand its platform capabilities and addressable market. While the marketplace is competitive, we believe the company enjoys differentiation due to its independence from the bank advice channels and more contemporary technology offer.

Gage Roads Brewing Co

Gage Roads announced the acquisition of Matso's Broome Brewing in May for $13.3m (and an additional $2.8m contingent on profit performance from here). The acquisition is earnings accretive and commensurate, with the company's growth strategy to consolidate its position as a substantial player with growing margins in the faster growing craft beer segment.

Key detractors

Security name	Sector	Active weight %	Value added %
Oliver's Real Food Ltd	Consumer Discretionary	0.68	-1.48
Somnomed Limited	Health Care	1.71	-0.77
Paringa Resources Ltd	Energy	1.12	-0.73

Oliver's Real Food Ltd

Share price continues to be weighed down by the release of a surprise and disappointing earnings update in May, which highlighted a number of operational issues which had not been apparent in more recent company reports. We continue to await the impact of new initiatives to be introduced by the recently appointed CEO.

Somnomed Limited

Somnomed's direct to consumer strategy in the USA is progressing slower than expected with weaker performance from more recently opened locations. Management have slowed this initiative as they seek to find the winning formula in these markets. On a more positive note, the company continues to enjoy strong growth from its European operations and has seen stabilisation of its partner channels in the USA.

Paringa Resources Ltd

A construction cost blowout saw Paringa return to the market to raise further equity via an entitlement offer. Flooding and a change in development plan resulted in higher costs than anticipated to construct the Poplar Grove mine in Kentucky, USA. This saw the share price sell back to the entitlement offer price.

For further information, please contact:

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