

NovaPort Microcap Fund

Quarterly report - September 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)	-0.88	1.50	16.13	16.77	10.24	12.40	10.78
Growth return	-0.88	1.50	15.52	15.67	9.27	10.98	6.51
Distribution	0.00	0.00	0.61	1.10	0.97	1.42	4.27
S&P/ASX Small Ordinaries Accumulation Index	-0.35	1.10	20.32	17.00	8.76	4.78	4.69
Active return ³	-0.53	0.40	-4.19	-0.23	1.48	7.62	6.08

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

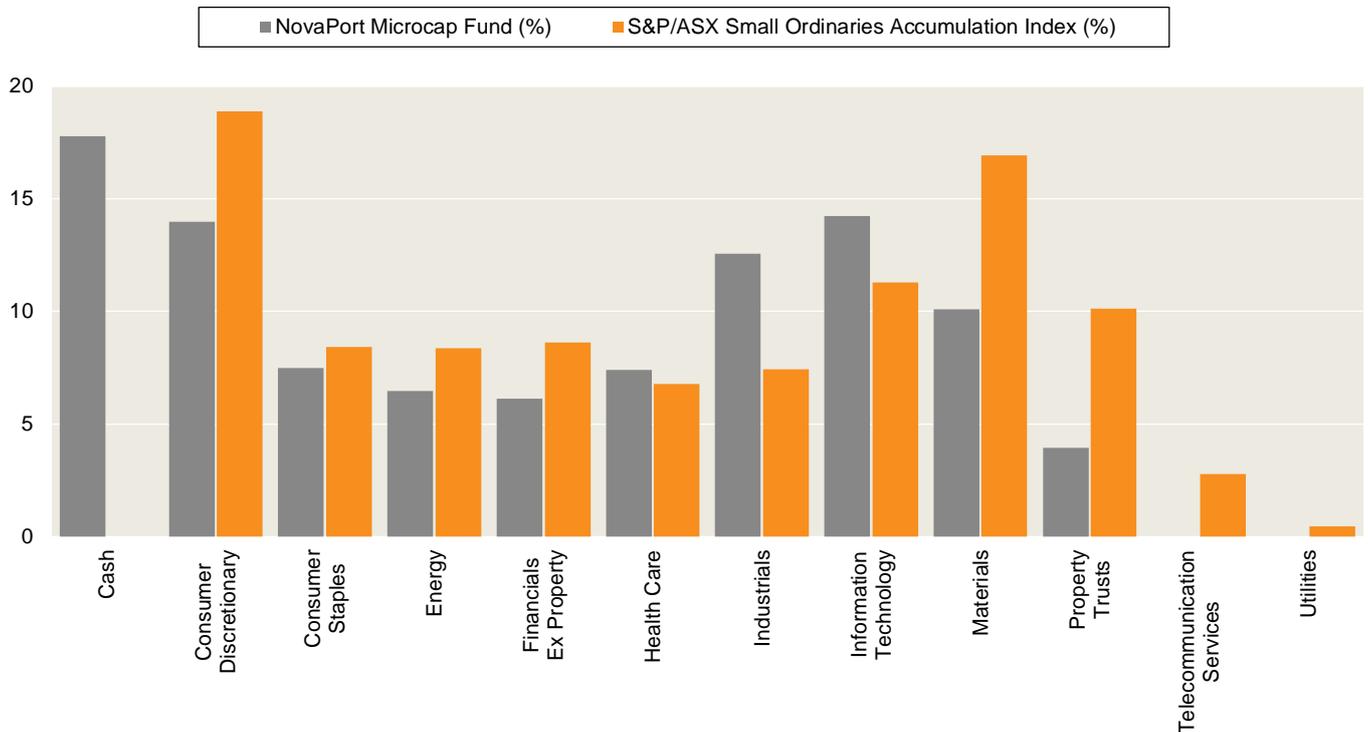
Asset allocation	Actual %	Range %
Security	82.23	80-100
Cash	17.77	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Baby Bunting Group Ltd	4.31	0.00	4.31
Gage Roads Brewing Co	4.27	0.00	4.27
Rhipe Ltd	4.21	0.00	4.21
Praemium Ltd	3.85	0.23	3.63
Australian Vintage Ltd	3.20	0.00	3.20

Fund facts	
Inception date	22 March 2005
Fund size	\$107.3M
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 strong 7.67% increase over the previous quarter, the Small Ordinaries Index (Accumulation) reported a more subdued 1.1% gain over the three months to 30 September. This is in line with calendar year to date performance and is the weakest quarter since June 2017. There was a material divergence between industrials and miners with the former up 3.38% while resources were down 6.75%.

High multiple stocks (software and financial technology) were a key driver for industrials strength despite reporting results and guidance in August that were in line or even below market expectations. Meanwhile, a couple of the larger gold stocks dragged down the resources index for the quarter.

As is always the case at this time of the year the key highlight for the quarter were earnings reports for the 30 June reporting season. With increased disclosure requirements, earnings estimates were largely already reset heading into August so outlook statements and updated guidance were generally of more interest. While some headwinds are no doubt emerging such as the slowdown in housing construction, the potential for high levels of household indebtedness to slow consumer spending from here as well as the flow on effect of what could be a protracted trade war between the world's two biggest economies, economic conditions locally are still holding at solid levels. Of more note (as mentioned above) was the significant share price performance of some of the high multiple technology stocks on what were in line or below expectations earnings reports suggesting factors other than fundamentals driving share prices which to us represents a ratchet up in risk appetite in what is a mature bull market.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.10% for the quarter. The fund outperformed the market and delivered a +1.50% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Baby Bunting Group Ltd	Consumer Discretionary	4.31	1.72
Gage Roads Brewing Co	Consumer Staples	4.27	1.44
Praemium Ltd	Information Technology	3.63	0.78

Baby Bunting Group Ltd

Baby Bunting's contribution to quarterly performance was driven by a well received profit result in August which saw its share price increase by 46%. As highlighted at the time, the release of its 2018 financial year results and 2019 financial year outlook affirmed that the headwinds of large competitor network closures are expected to dissipate. With less competition, premium sites vacated but now available for lease and more support from suppliers, Baby Bunting has the foundations for an extended period of earnings growth.



Gage Roads Brewing Co

As mentioned in our monthly commentary for August, Gage Road continues to post strong growth in sales of its proprietary brands leading to expanding group margins as the percentage of third party contract brewing falls over time. In addition, earnings growth in the current financial year will benefit from acquisition of Matso's Brewing earlier this year.

Praemium Ltd

Praemium has won an outsized share of flows to its platforms over the past year. The share price has rerated to reflect this success, following a pattern set by other emerging wealth management platforms. The group is pursuing a strategy to extend its growth horizons with an emerging business in the United Kingdom and by investing in a wrap style platform which, if successful, will open up a significantly larger market opportunity.

Key detractors

Security name	Sector	Active weight %	Value added %
Experience Co Ltd	Consumer Discretionary	1.23	-1.06
Afterpay Touch Group Ltd	Information Technology	-1.46	-0.61
West African Resources Ltd	Materials	1.79	-0.54

Experience Co Ltd

Experience Co's share price has continued to drift down since issuing disappointing guidance for the current financial year in August as a result of more conservative assumptions for some of its north Queensland operations following high levels of rainfall earlier this year. In addition, recent sky diving fatalities impacted on consumer behaviour which is expected to linger for some time.

Afterpay Touch Group Ltd

Not held by the fund.

West African Resources Ltd

West African Resources share price declined on a weaker gold price as well as concerns surrounding the political outlook in Burkina Faso, where its Sanbrado project is based.

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 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.

