

NovaPort Wholesale Microcap Fund

Fund report and commentary – 31 March 2011

Performance						
	Quarter (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	10 years (%) p.a.	Inception (%) p.a.
NovaPort Wholesale Microcap Fund	1.38	29.91	7.89	9.09	-	11.49
Growth return	1.38	29.14	5.87	-0.40	-	3.37
Distribution return	0.00	0.77	2.03	9.49	-	8.11
S&P/ASX Small Ordinaries Accumulation Index	-1.19	13.49	-0.92	2.80	-	6.37

The Fund changed investment manager on 11 January 2011 at which time NovaPort Capital commenced managing the Fund. The investment methodology remains unchanged. Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

Investment objective

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling seven-year periods.

Investment manager

NovaPort Capital Pty Limited

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort's approach is focused on buying companies with an improving outlook at a significant discount to valuation. At the same time, they pay particular attention to the underlying quality of company earnings, management and industry structure in order to minimise downside risk.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least seven years

Asset allocation		
	Current (%)	Range (%)
Securities	90	60-100
Cash	10	0-40

Top five active positions as at 28 February 2011			
	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International	5.76	0.00	5.76
RP Data	5.06	0.00	5.06
Data No.3	4.72	0.00	4.72
Dolomatrix International	4.18	0.00	4.18
BC Iron	4.15	0.00	4.15

Fund facts			
NovaPort Wholesale Microcap Fund			
Inception date			22/03/2005
Fund size (\$M)			37.2
APIR code			HOW0027AU

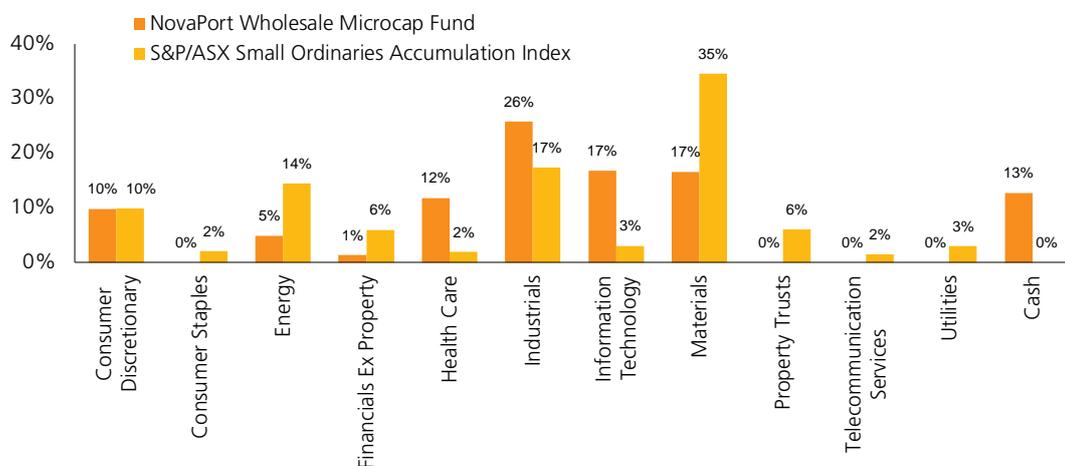
Fees			
NovaPort Wholesale Microcap Fund			
Entry fee			Nil
2009/10 ICR			1.50%
Management fee			1.50% p.a.
Performance fee	20% of the Fund's after management fee return above the S&P/ASX Small Ordinaries Accumulation Index		
Buy/sell spread			+0.40%/-0.40%



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Sector exposure as at 28 February 2011



Commentary

The S&P/ASX Small Ordinaries Accumulation Index was down 1.19% over the quarter, underperforming the broader equities market (S&P/ASX 300 Accumulation Index) which finished up 3.12%. In a trend reversal, small industrials (up 2.21%) outperformed small resources (down 5.18%) as investors locked in profits from elevated commodity prices and sold off risk assets.

Equity markets were slightly up over the quarter despite a spate of natural disasters in Queensland and the catastrophic events that occurred in Japan. A spike in oil prices caused by unrest in Libya and fears of overheating in China, added to investor caution. The Government's announcement of its intention to introduce a carbon tax added to the increasing uncertainty that emerged from February's soft reporting season, which was dominated by negative earnings revision. Partial indicators of US activity for early 2011 have been mixed. Business surveys – particularly the ISM manufacturing PMI – are at high levels, and employment, particularly in the private sector is continuing to strengthen. However, growth in real personal consumption has shown some weakness and points to a relatively subdued start to the year.

Domestic economic data released over the quarter confirmed a softer domestic demand environment, re-affirming the prospect of a two-speed economy. Retail sales over the quarter continued to disappoint despite registering a slight uptick in March (+0.4%). The RBA left rates on hold over the quarter citing lower than expected inflation and the impact on growth from the natural disasters. Employment data was mixed over the period although unemployment is still around 5% which suggests a tight labour market. The AUD showed resilience against the USD over the quarter despite a sell-off in commodity markets due to heightened risk aversion and market expectations of a rate cut, rising to a new post-float high of 1.0373 on 31 March 2011.

Key contributors

RP Data: up 64.71%

RP Data's share price surged over the early part of the quarter after CoreLogic, a leading provider of information, analytics and business services, announced that it had reached an agreement with the independent board of directors of RP Data to recommend to its shareholders the acquisition by CoreLogic of all the outstanding shares of the company for a price of A\$1.65 per share plus assumption of existing debt.

Data#3 Limited: up 28.37%

Data#3 Limited outperformed over the quarter after announcing a record interim profit for the first half of the 2011 financial year, which saw net profits after tax increase 68% to \$7.9 million from the previous corresponding period.

Matrix Composites & Engineering: up 32.98%

Matrix Composites & Engineering's stock surged over the quarter after lifting its first half of 2011 profit by 159% to \$19.3 million, in lieu of the construction of a new plant at Henderson, where component production has already commenced. The company's share price has also received a boost from new Gulf of Mexico regulations and a rising oil price, which is driving a new construction cycle for Drillship and Semi-submersibles.

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Key detractors

Altium: down 44.74%

Altium underperformed over the quarter after the company reported a 3% wider net loss of \$US2.5 million for 1H FY2011, due to a slump in sales from Asia-Pacific region excluding China and adverse effects of taxes and exchange rate variances. Altium's shares also fell in trading after announcing that no dividends have been declared during the half-year ended December 31, 2010.

Clover Corporation: down 23.08%

Clover Corporation's shares were down over the quarter after the first half of 2011 financial year results slightly disappointed. Revenue was impacted by a large amount of deferred sales (\$2m), the cessation of sales of NuSoya products and slower than anticipated growth in sales to the Americas and Europe by GTC Nutrition.

BC Iron: down 15.75%

BC Iron's shares fell over the quarter after Hong Kong-listed Regent Pacific terminated its A\$345 million takeover offer for the company, saying it did not have sufficient support of BC Iron's largest shareholder, Consolidated Minerals.

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