

# NovaPort Wholesale Microcap Fund

## Quarterly fund report and commentary – 30 September 2012

Performance <sup>1</sup>					
	Quarter (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
<b>Fund</b>	<b>14.19</b>	<b>19.53</b>	<b>14.63</b>	<b>0.14</b>	<b>9.90</b>
Growth return	13.67	16.92	12.87	-2.10	3.06
Distribution return	0.51	2.62	1.76	2.23	6.83
S&P/ASX Small Ordinaries Accumulation Index	7.25	3.83	-0.91	-7.50	2.51
Active return	6.93	15.71	15.53	7.64	7.39

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> 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 September 2012 (%)	Range (%)
Securities	81	60-100
Cash	19	0-40

Top five active positions as at 30 September 2012			
	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International	7.50	0.00	7.50
1300 Smiles Limited	4.96	0.00	4.96
Southern Cross Electrical Engineering Ltd	4.35	0.00	4.35
Saunders International Limited	4.35	0.00	4.35
Clover Corp Ltd	4.12	0.00	4.12

Fund facts	
	Fund
Inception date	22/03/2005
Fund size (\$M)	30.39
APIR code	HOW0027AU

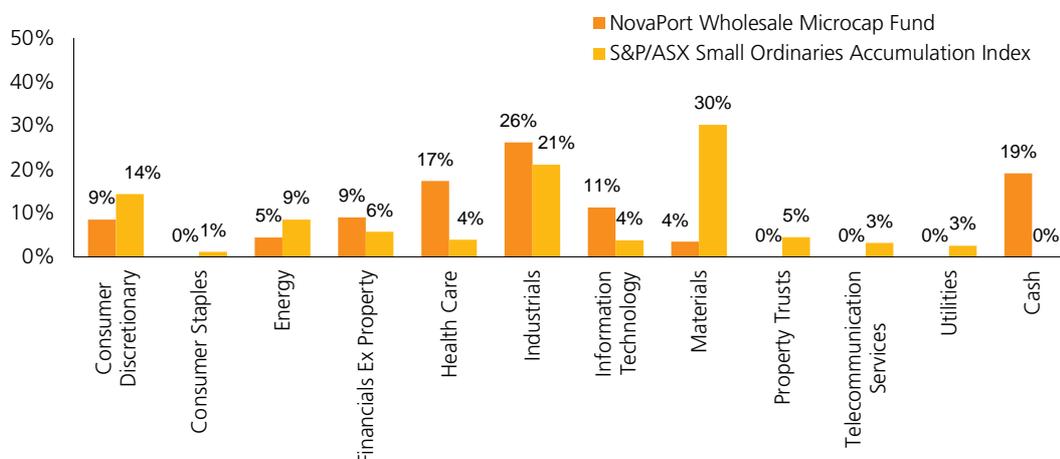
Fees	
	Fund
Entry fee	Nil
2011/2012 ICR	2.99%
Management fee	1.50% p.a.
Performance fee	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index.
Buy/sell spread	+0.40%/-0.40%



# NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 30 September 2012

## Sector exposure as at 30 September 2012



## Commentary

The S&P/ASX Small Ordinaries Accumulation Index gained 7.25% during the quarter, underperforming the S&P/ASX300 Accumulation Index which gained 8.7%.

Australian equity markets highlighted the divergence of returns of between industrials and resources, with industrials outperforming given the increasing caution around Chinese demand for commodities. However resources saw a late rally as concerns over commodity price depression were somewhat offset by Chinese government stimulus. Global markets continued to respond positively to progress in the European Union and in the US, improved unemployed data and rising retail sales have buoyed investor confidence. Furthermore the third round of US quantitative easing is expected to stimulate the depressed housing and jobs markets.

The Reserve Bank of Australia (RBA) board left the cash rate on hold throughout the quarter, retaining their view that Australia's growth outlook remained solid. However, the tide turned at the end of the quarter, with the RBA cutting rates to 3.25% in October, the lowest rate since October 2009. Equity markets responded strongly to the rate cut, rallying to a 14 month high. Whilst the rate cut supported the market, it also reflected a more sombre mood from the RBA. The move to a more accommodative fiscal policy was based on a softening outlook for the global economy with risks to growth on the downside, particularly as China's GDP continued to fall. The move away from fixed asset investments has resulted in a degree of uncertainty regarding China's near term prospects and how this will affect our economy.

The portfolio outperformed its benchmark over the quarter. Key contributors to returns were overweight positions in Medical Developments International, UXC Limited and Saunders International. Detracting from returns was an underweight position in Gunns Limited and overweight positions in 1300 Smiles and Southern Cross Electrical Engineering.

## Key contributors

**Medical Developments International:** up 61.83%  
Medical Developments International is a pharmaceutical company that manufactures pain relief products and asthma medication delivery devices. The company performed strongly after reporting a record result for the 1H FY12, which saw net profits increase 44% from the previous period.

**UXC Limited:** up 78.76%  
UXC Limited is one of the largest Australian IT service companies. Its business comprises three separate divisions: consulting services, enterprise applications and IT infrastructure. The company performed strongly following the announcement of a 300% increase in the 2012 net profit after tax and its outlook remains solid with a number of customer wins, a strong pipeline of new contracts and a streamlined cost base continuing to drive earnings.

**Saunders International:** up 42.86%  
Saunders International is an Australian engineering and construction firm that specialises in the design, construction and maintenance of steel bulk liquid storage tanks, reservoirs and associated facilities. The business provides services for the oil and gas, resources, chemical and water industries and has performed well following the announcement of a 137% increase in net profit for the 2012 financial year.

# NovaPort Wholesale Microcap Fund

Quarterly fund report and commentary – 30 September 2012

## Key detractors

### **Gunns Limited:** down 96.10%

Gunns Limited is a Tasmanian based company timber producer. The company was placed into receivership in late September following its failure to secure enough funding to maintain adequate working capital. The company has been in a trading halt since March and posted a net loss of \$904 million in 2011/2012 following write downs of its forestry assets and the failure to develop its Bell Bay pulp mill. An announcement regarding its creditors has not yet been made.

### **1300 Smiles:** down 8.31%

1300 Smiles is an operator of dental surgeries and as a result has a non-cyclical nature. The company is expanding its presence nationally and has a strong track record of successfully acquiring and integrating new practices. The company underperformed despite announcing record results which suggests some profit taking has taken place given the significant increase in share price since February.

### **Southern Cross Electrical Engineering:** down 2.29%

Southern Cross provides large scale specialised electrical, control and instrumentation installation and testing services for the resources, infrastructure and heavy industrial sectors. The company has recently announced significant contracts and is well positioned for growth. Some profit taking as well as heightened concerns surrounding tendering activity for major resource projects saw the share price fall during the period.

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](http://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.