

# NovaPort Wholesale Microcap Fund

## Quarterly report - September 2013

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return	18.78	20.48	14.42	14.59	11.09
Growth return	18.38	20.07	13.22	12.72	4.93
Distribution return	0.40	0.40	1.20	1.87	6.16
S&P/ASX Small Ordinaries Accumulation Index	14.89	1.42	-2.55	0.95	2.38
Active return <sup>^</sup>	3.89	19.06	16.96	13.64	8.71

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

# 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.

<sup>^</sup> 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

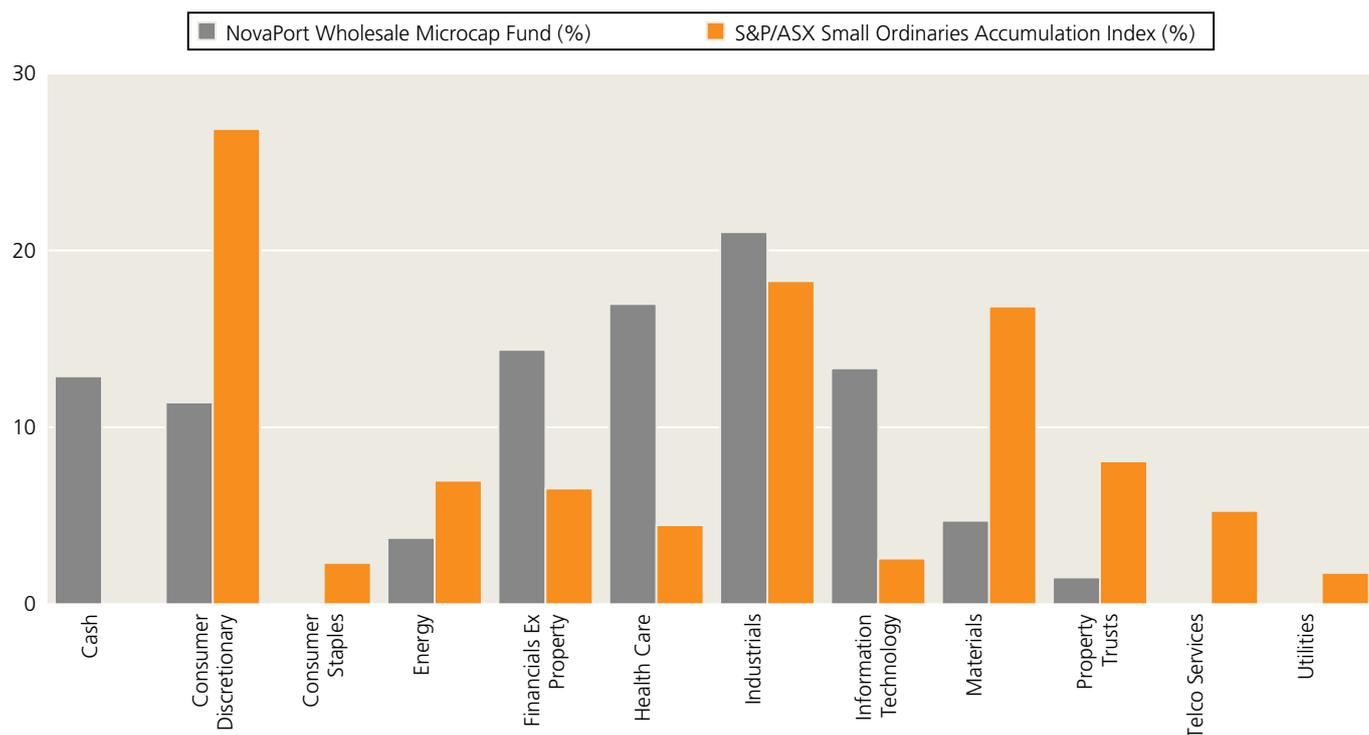
Asset allocation	As at 30 September 2013 (%)	Range (%)
Security	87.12	60-100
Cash	12.88	0-40

Top 5 active positions as at 30 September 2013	Fund weight (%)	Index weight (%)	Active weight (%)
1300 Smiles Limited	4.95	0.00	4.95
Folkestone Ltd	4.76	0.00	4.76
Capitol Health Ltd	4.55	0.00	4.55
Royal Wolf Holdings Ltd	4.13	0.00	4.13
Thorn Group Ltd	4.33	0.34	4.00

Fund facts	
Inception date	22 March 2005
Fund size	\$36.6M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2011-2012 ICR	2.99%
Management fee	1.50%
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%

## Sector exposure as at 30 September 2013



### Market overview

The S&P/ASX Small Ordinaries Accumulation Index enjoyed another positive return in September, rising by 1.69% over the month. The market retains a positive tone with an expectation that existing monetary stimulus will lead to a cyclical rebound and improved profitability (this seems to be expected sooner rather than later).

For some time a number of companies had highlighted to us the distraction of, and uncertainty during the long lead up to Australia's federal election and we expect resolution of this uncertainty will improve corporate confidence.

We would expect improving confidence to provide a foundation for a positive market outlook which is consistent with the market's recent strong performance and prices have run somewhat ahead of earnings delivery. As usual there are exogenous factors which could stall this process, including significant 'known unknowns' (Eurozone stability, US fiscal rebalancing, Chinese economic resilience).

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +14.89% for the quarter. The fund outperformed the market and delivered a +18.78% return over the quarter.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	4.55	2.00
WDS Limited	Industrials	1.84	1.29
Southern Cross Electrical Engineering Ltd	Industrials	3.25	1.04

#### Capitol Health Ltd

Capitol Health is an expanding Radiology business based in Victoria. The company is expected to benefit from changes to the Medicare funding regime for MRI scans and has ample scope to expand via acquisitions.

#### WDS Limited

WDS has continued to enjoy rapid growth of work in hand as activity in the Queensland CSG industry, ramps up, generating renewed interest in the company. The company is well capitalised and in a good position to return earnings to shareholders as dividends.



## Southern Cross Electrical Engineering Ltd

Investors' confidence in Southern Cross Electrical was revived by a strong earnings result as well as the award of a package of work on the APLNG Curtis island project.

### Key detractors

Security name	Sector	Active weight %	Value added %
Clover Corp Ltd	Health Care	2.69	-0.90
Regional Express Holdings Ltd	Industrials	1.78	-0.51
Countplus Ltd	Financials Ex Property	1.87	-0.41

#### Clover Corp Ltd

The company's share price declined on news that FY14 sales and profit would be lower. This occurred when a customer experienced contamination in their milk powder. Clover's products were not involved in the incident, however, sales have been deferred as the customer resolves the problem.

#### Regional Express Holdings Ltd

The company's sales were impacted by lower yields and the cessation of the en-route rebate scheme. We expect a materially better FY14 result as business confidence returns.

#### Countplus Ltd

Countplus is building a network of accountancy and financial services businesses. The company is guided by an experienced and well-regarded management team. The share price has been range bound as the company consolidates its prior acquisitions.

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