

NovaPort Wholesale Microcap Fund

Monthly report - August 2013

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return	3.41	7.40	18.41	16.51	11.93	10.61
Growth return	3.41	7.40	17.88	15.37	10.04	4.46
Distribution return	-	-	0.53	1.14	1.89	6.15
S&P/ASX Small Ordinaries Accumulation Index	2.88	4.90	4.10	-0.24	-2.61	2.20
Active return [^]	0.53	2.50	14.31	16.76	14.54	8.41

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.

[^] 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

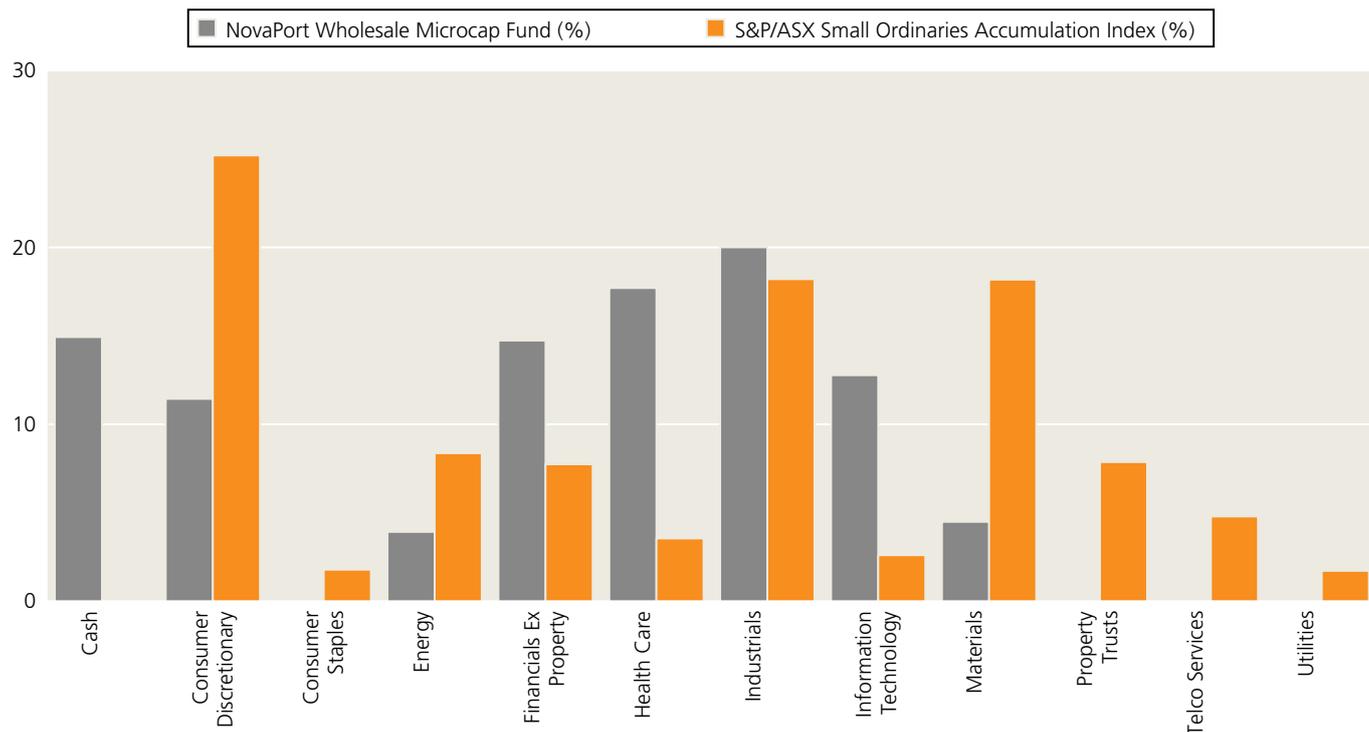
Asset allocation	As at 31 August 2013 (%)	Range (%)
Security	85.07	60-100
Cash	14.93	0-40

Top 5 active positions as at 31 August 2013	Fund weight (%)	Index weight (%)	Active weight (%)
1300 Smiles Limited	4.88	0.00	4.88
Folkestone Ltd	4.86	0.00	4.86
Capitol Health Ltd	4.17	0.00	4.17
Medical Developments International Limited	4.15	0.00	4.15
Saunders International Limited	4.15	0.00	4.15

Fund facts	
Inception date	22 March 2005
Fund size	\$34.9M
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 31 August 2013



Market overview

Global issues took a back seat to reporting season over August with results largely as expected. While downgrades exceeded upgrades the range was not of concern to investors given expectations were appropriately subdued heading into the month. Key themes to emerge included generally good cash generation supporting solid dividends not because of buoyant revenues but rather from the benefits of cost cutting programs implemented over the last twelve to eighteen months. The benefit of cost out initiatives was evident in mining companies as well as industrials with the former quick to respond to the decline in commodity prices.

While management teams were understandably circumspect in assessing their outlook for FY14 given it's still early days, there was an acknowledgement that lower interest rates, emerging signs of a housing recovery, the potential confidence gains from a more business friendly federal government (and therefore subsequent release of pent up business capex) potentially augurs well 2014. This sentiment was reflected by only minor adjustments to FY14 forecasts by market analysts. While these forecasts will likely turn out to be optimistic, there does appear to be enough evidence to suggest we are moving through the bottom of the earnings cycle rather than still heading towards the trough.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +2.88% for August. The fund outperformed the market and delivered a +3.41% return over August.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
WDS Limited	Industrials	1.74	0.65
Royal Wolf Holdings Ltd	Industrials	3.89	0.49
Oakton Limited	Information Technology	2.23	0.45

WDS Limited

Over the past year WDS suffered from revenue declines from its mining division as a result of weak AUD coal prices. More recently however investors have observed a rapid growth of work in hand as activity in the Queensland CSG industry ramps up, generating renewed interest in the company.



Royal Wolf Holdings Ltd

Royal Wolf reported another year of robust earnings growth driven by fleet expansion into new segments as well as acquisitions. The company has displayed a consistent track record of organic business growth complemented with accretive acquisitions and has been accordingly re-rated by the market.

Oakton Limited

While the result was generally in line with expectations and management noted conditions remain challenging, there were some encouraging signs that Oakton's evolving business model is beginning to bear fruit. This combined with confidence of a change in government in September, lower interest rates and diminishing risks at the global level have attracted investors to companies like Oakton which provide exposure to a pick-up in corporate IT spend.

Key detractors

Security name	Sector	Active weight %	Value added %
Folkestone Ltd	Financials Ex Property	4.86	-0.29
Uxc Limited	Information Technology	2.89	-0.25
McMillan Shakespeare Limited	Industrials	-0.72	-0.22

Folkestone Ltd

Folkestone has continued to expand its fund management business and execute its development portfolio. The share price has performed well over the last year and saw some consolidation from lofty levels.

Uxc Limited

McMillan Shakespeare Limited

Not held by the fund.

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