

NovaPort Wholesale Microcap Fund

Quarterly report - June 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Inception % p.a.
Fund return	-4.25	16.79	10.60	17.51	2.27	9.95
Growth return	-4.30	16.03	9.32	16.23	0.55	4.30
Distribution return	0.05	0.76	1.27	1.28	1.72	5.66
S&P/ASX Small Ordinaries Accumulation Index	-2.26	13.11	-2.94	3.43	-5.51	2.02
Active return [^]	-1.99	3.68	13.53	14.08	7.78	7.94

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

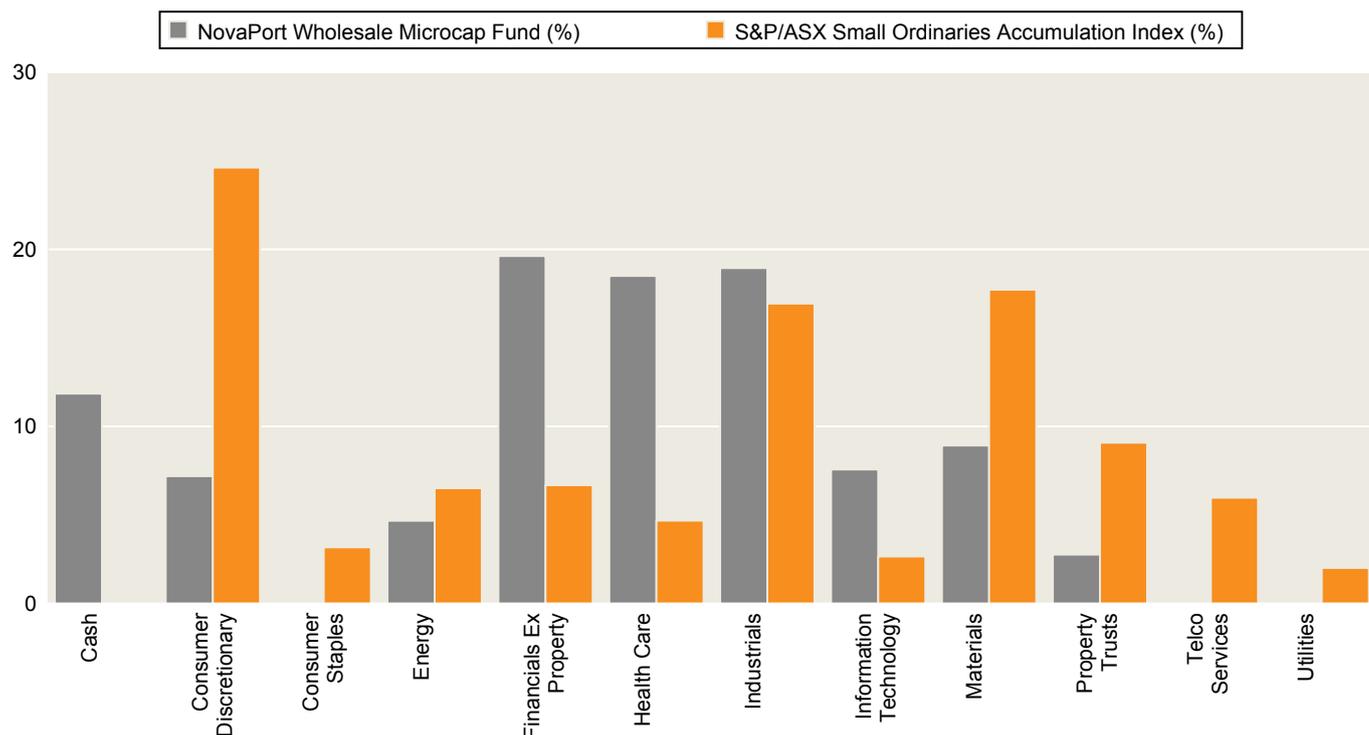
Asset allocation	As at 30 June 2014 (%)	Range (%)
Security	88.15	60-100
Cash	11.85	0-40

Top 5 active positions as at 30 June 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Folkestone Ltd	5.71	0.00	5.71
1300 Smiles Limited	4.47	0.00	4.47
Saunders International Limited	3.96	0.00	3.96
Capitol Health Ltd	3.68	0.00	3.68
Medical Developments International Limited	3.64	0.00	3.64

Fund facts	
Inception date	22 March 2005
Fund size	\$35.2M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2012-2013 ICR	6.00%
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	+0.40% / -0.40%

Sector exposure as at 30 June 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index fell 1.11% during June. For the financial year ended 30 June, the benchmark delivered a robust 13.11% gain and has boosted investor confidence following several difficult years.

The Materials sector was one of the best performing sectors during the month. Sentiment towards the sector has been supported by continuation of easy monetary policy globally (most notably in Europe) and an encouraging outlook for the US economy. Despite this, the outlook for underlying commodity prices remains varied with some (e.g. iron ore, coal) labouring under the perception of substantial excess supply capacity.

Unsurprisingly investor appetite for yield appears to remain strong. Other top performing sectors during the month were Utilities and Property Trusts, which we believe highlights investor dissatisfaction with lean bond yields and bank deposit rates.

A common theme emerging late in the financial year was that consumer and business confidence had taken a setback in the lead up to the Australian Federal Government budget announcement. With a number of companies downgrading their earnings guidance in May and June, investor focus has rapidly tuned to near term earnings risks. We believe this explains much of June's overall benchmark decline.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -2.26% for the quarter. The fund underperformed the market and delivered a -4.25% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Folkestone Ltd	Financials Ex Property	5.71	0.85
Tap Oil Limited	Energy	2.13	0.57
Prana Biotechnology Limited	Health Care	-0.10	0.30

Folkestone Ltd

Folkestone continues to expand its funds management and development platforms. The company has an emerging track record of successfully innovating and distributing real estate investment products and is rapidly growing a base of recurring fee income streams.



Tap Oil Limited

Tap Oil is awaiting the completion of construction for its Manora development in Thailand, which will drive substantial cash flows once it is producing. Recent drilling activity has disappointed the market and the share price has drifted back in line with a general disinterest in this company.

Prana Biotechnology Limited

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	3.68	-1.33
Probiotec Limited	Health Care	1.72	-0.78
Southern Cross Electrical Engineering Ltd	Industrials	1.30	-0.60

Capitol Health Ltd

Capitol Health's share price consolidated following an extremely strong run. The company has grown earnings rapidly and at the last reporting date, revenue and pre-tax profit each rose over 50%, driven by new acquisitions as well as growing its exposure to higher margin MRI scans. Regulatory changes to funding and referrals for MRI scans have been an underlying driver of these outcomes.

Probiotec Limited

Probiotec's share price has consolidated on limited news flow following an upward spike in the first quarter of the year. The company continues to explore growth opportunities in its pharmaceutical and nutrition businesses, leveraging its existing manufacturing capabilities.

Southern Cross Electrical Engineering Ltd

Despite success in securing work, Southern Cross Electrical reported weaker than expected margins due to ongoing fierce competition within its core resources market.

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