

NovaPort Wholesale Microcap Fund

Quarterly report - June 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-4.27	6.78	13.04	12.90	10.46	9.64
Growth return	-4.62	5.44	12.15	11.80	5.05	4.41
Distribution return	0.35	1.34	0.89	1.09	5.41	5.23
S&P/ASX Small Ordinaries Accumulation Index	-4.04	0.44	2.46	1.35	2.04	1.86
Active return [^]	-0.23	6.34	10.58	11.55	8.42	7.78

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

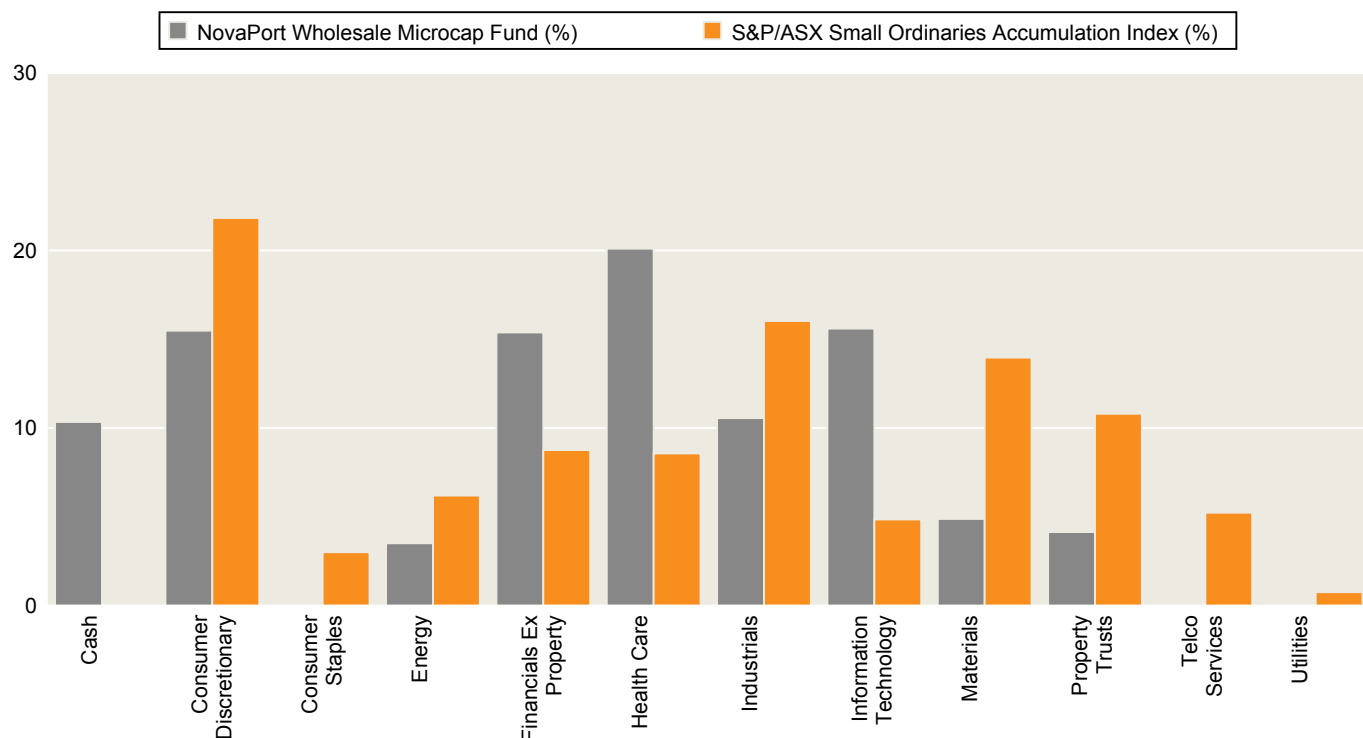
Asset allocation	As at 30 June 2015 (%)	Range (%)
Security	89.66	60-100
Cash	10.34	0-40

Top 5 active positions as at 30 June 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International Limited	6.34	0.00	6.34
1300 Smiles Limited	5.24	0.00	5.24
Somnosed Limited	4.70	0.00	4.70
360 Capital Group	4.14	0.00	4.14
Nick Scali Ltd	3.95	0.00	3.95

Fund facts	
Inception date	22 March 2005
Fund size	\$34.7M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2013-2014 ICR	2.76%
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	+0.30% / -0.30%

Sector exposure as at 30 June 2015



Market overview

The Small Ordinaries Accumulation Index has followed up a strong March quarter performance, with a negative 4.04% return for the final three months of the 2015 Financial Year. A losing quarter, post a positive one, has been a trend since March 2013, with the index unable to break out of a relatively tight range, resulting in an index virtually unchanged since 2012.

The smaller companies resources index was down 0.31% over the quarter and finished the year at a lower point than the depths of the GFC share market rout. The industrials sector was down 4.67% for the quarter but, from a longer term perspective, has fared much better with the sector up over 100% since its GFC lows in early March 2009.

The final quarter usually sees an increase in earnings downgrades, as the financial year comes into focus and companies are able to make a comment regarding likely earnings, versus guidance in the market. The June quarter was no different although the number of companies downgrading and degree of earnings variation were at lower levels than recent years. If anything, a lacklustre market is more symptomatic of smaller companies trading on full valuations and with no earnings catalysts to drive the sector higher.

Macro factors continued to dampen any positive momentum over the quarter. Companies reported generally subdued conditions and a still stubbornly high Australian dollar, albeit at a more favourable level than this time last year. Meanwhile a lower local currency has not been able to offset the adverse impact of weak commodity prices for the miners. The RBA followed February's 0.25% cut in interest rates with the same reduction in May. Internationally, any confidence boost from an improving US economy was dampened by the potential for Federal reserve rate increases above expectations. Weakness in China, as well as volatility in Europe as the long discussed "Grexit" loomed large in the lead up to 30 June, also dampened investor confidence.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -4.04% for the quarter. The fund underperformed the market and delivered a -4.27% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Medical Developments International Limited	Health Care	6.34	1.09
Tap Oil Limited	Energy	1.88	0.65
1300 Smiles Limited	Health Care	5.24	0.52

Medical Developments International Limited

Medical Developments' price was materially boosted during the quarter with the company announcing it had received long anticipated approval for the sale within the European Union of its inhalable analgesic pain relief product, Pentrox. Approval to sell Pentrox in such a large market has the potential to have a material impact on the market's valuation of the company in the years ahead.

Tap Oil Limited

Tap Oil benefitted from the commencement of production at its Manora Oil Development in November 2014 which returned the Company to producer status. With peak production rate of 15,000 bopd (gross) maintained throughout the quarter the earnings outlook and balance sheet position continued to improve. Operationally, Tap Oil is well positioned and significantly de-risked following the successful commissioning of Manora.

1300 Smiles Limited

After a period of share price consolidation over the previous year, 1300 SMILES rebounded over the final five months of the financial year. In early May the company announced it had appointed a new independent, non-executive director to the board. Glen Richards brings relevant experience in growing services networks given his role as the founding Managing Director of the Greencross veterinary healthcare group.

Key detractors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	2.13	-1.34
Treasury Group Ltd	Financials Ex Property	1.68	-0.87
360 Capital Group	Property Trusts	4.14	-0.68

Capitol Health Ltd

Capitol's share price consolidated following an extended run and significant rerating. The radiology group has expanded via acquisition and is now building a more meaningful presence outside of its traditional Victorian base. The company remains on the lookout for acquisition opportunities to build scale in new geographies.

Treasury Group Ltd

While strong market growth has seen Funds Under Management (FUM) grow across the business, it was offset by some redemptions, including from within the newly acquired Northern Lights Group. The market was disappointed by these FUM outcomes and has resulted in a price de-rating as well as downward revisions to growth estimates.

360 Capital Group

360 Capital's share price consolidated in the last quarter after having generated strong share price performance over the year. The company continues to rationalise and expand its property funds management business via acquisitions, adding value through debt integration and rationalisation. However in June the company reported some settlement delays which will defer the recognition of some profits previously expected in FY2015 results into FY2016.

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