

NovaPort Wholesale Microcap Fund

Quarterly report - June 2013

Performance*	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return	-13.75	15.82	13.72	8.13	9.15
Growth return	-13.75	15.30	12.60	6.30	2.96
Distribution return	-	0.52	1.11	1.83	6.19
S&P/ASX Small Ordinaries Accumulation Index	-14.85	-5.32	-2.00	-5.66	0.75
Active return [^]	1.10	21.14	15.72	13.79	8.40

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

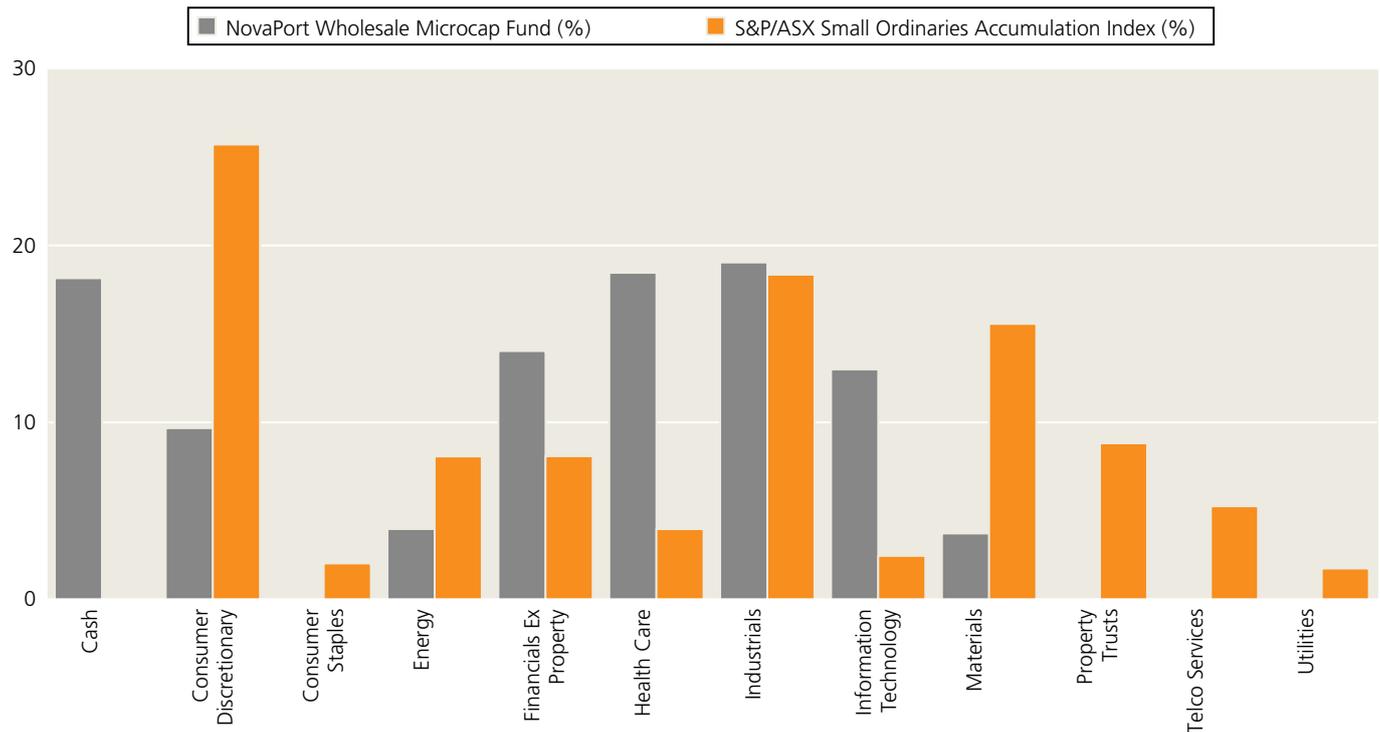
Asset allocation	As at 30 June 2013 (%)	Range (%)
Security	81.85	60-100
Cash	18.15	0-40

Top 5 active positions as at 30 June 2013	Fund weight (%)	Index weight (%)	Active weight (%)
1300 Smiles Limited	5.19	0.00	5.19
Folkestone Ltd	5.03	0.00	5.03
Thorn Group Ltd	4.64	0.36	4.28
Capitol Health Ltd	4.17	0.00	4.17
Data No.3 Limited	4.11	0.00	4.11

Fund facts	
Inception date	22 March 2005
Fund size	\$30.1M
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 June 2013



Market overview

The S&P/ASX Australian Small Ordinaries Accumulation Index declined 14.85% over the final quarter of FY13. The NovaPort Microcap fund declined 13.08% over the same period, outperforming the benchmark by 1.77%. Over the financial year to 30 June 2013 the portfolio returned 21.5%, outperforming the benchmark which declined, -5.32%

The Australian dollar continued its descent and ended the quarter below USD0.92, driven by expectations of further RBA rate cuts and higher interest rates abroad. While the lower Australian dollar mitigates some of the impact of falling \$US commodity prices, fear of a liquidity squeeze in China and depressed sentiment towards the energy and materials saw these sectors underperform again over the quarter, falling 22.5% and 38.8% respectively.

The combination of the financial and tax year end with the imminent full year earnings reporting season appears to have driven some volatility during June as investors and speculators recast their portfolios for both events. Yield remains highly sought after however it appears that investors are now also starting to anticipate a boost to consumer demand driven by lower interest rates. The resources sector is heavily sold however quality remains elusive and catalysts lacking. We do not anticipate overly optimistic management commentary to coincide with the coming earnings results however we do expect domestic cyclicals to see benefits from cost reductions and are looking for some signs that demand has stabilised.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	4.17	1.38
Calliden Group Limited	Financials Ex Property	2.09	0.81
1300 Smiles Limited	Health Care	5.19	0.81

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.

Calliden Group Limited

Calliden increased 50% over the quarter as a result of increased confidence in the transition to the new business model. Management have transitioned 50% of the revenue from underwriting to underwriting agency. Agency revenue should be more stable over time as the insurance losses are borne by the 3rd party underwriter. The strategy is being implemented to reduce the volatility in earnings



1300 Smiles Limited

1300 Smiles increased 3% over the quarter with management announcing a public-private partnership with the Queensland government. In addition, management acquired a group of 6 surgeries in Adelaide's CBD. The market's main concern regarding the cessation of the Chronic Disease Dental Scheme by the Federal Government was soothed by the announcement of the public-private partnership. The new partnership together with the \$1 per day dental scheme are indicative of initiatives designed to increase earnings over time

Key detractors

Security name	Sector	Active weight %	Value added %
Codan Limited	Information Technology	1.57	-1.56
Coffey International Limited	Industrials	0.00	-1.04
Southern Cross Electrical Engineering Ltd	Industrials	2.62	-0.91

Codan Limited

Codan was impacted by an earnings update released in mid June, which flagged lower than expected gold detector machine sales primarily due to civil unrest in some of its key markets in Africa. Despite the disappointing guidance, the company is still expected to post record profits for 2013 financial year (with growth up around 50% for the financial year).

Coffey International Limited

During May, Coffey International provided the market with lower earnings guidance. The extent to which activity had declined and profitability reduced surprised us and the market place and raised some concerns regarding the underlying business. The position was exited.

Southern Cross Electrical Engineering Ltd

Southern Cross Electrical operates a long established electrical contracting business with a strong presence in the West Australian Energy and Mining sectors. The company has a robust order book and profitable track record however the share price has fallen in line with declining expectations for mining construction activity.

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