

NovaPort Wholesale Microcap Fund

Quarterly report - March 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	8.17	6.81	12.01	12.66	10.45	10.37
Growth return	7.75	5.80	11.27	11.54	5.07	5.01
Distribution return	0.42	1.01	0.75	1.11	5.37	5.36
S&P/ASX Small Ordinaries Accumulation Index	7.30	2.30	-1.72	-0.30	2.72	2.33
Active return [^]	0.87	4.51	13.73	12.96	7.72	8.04

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

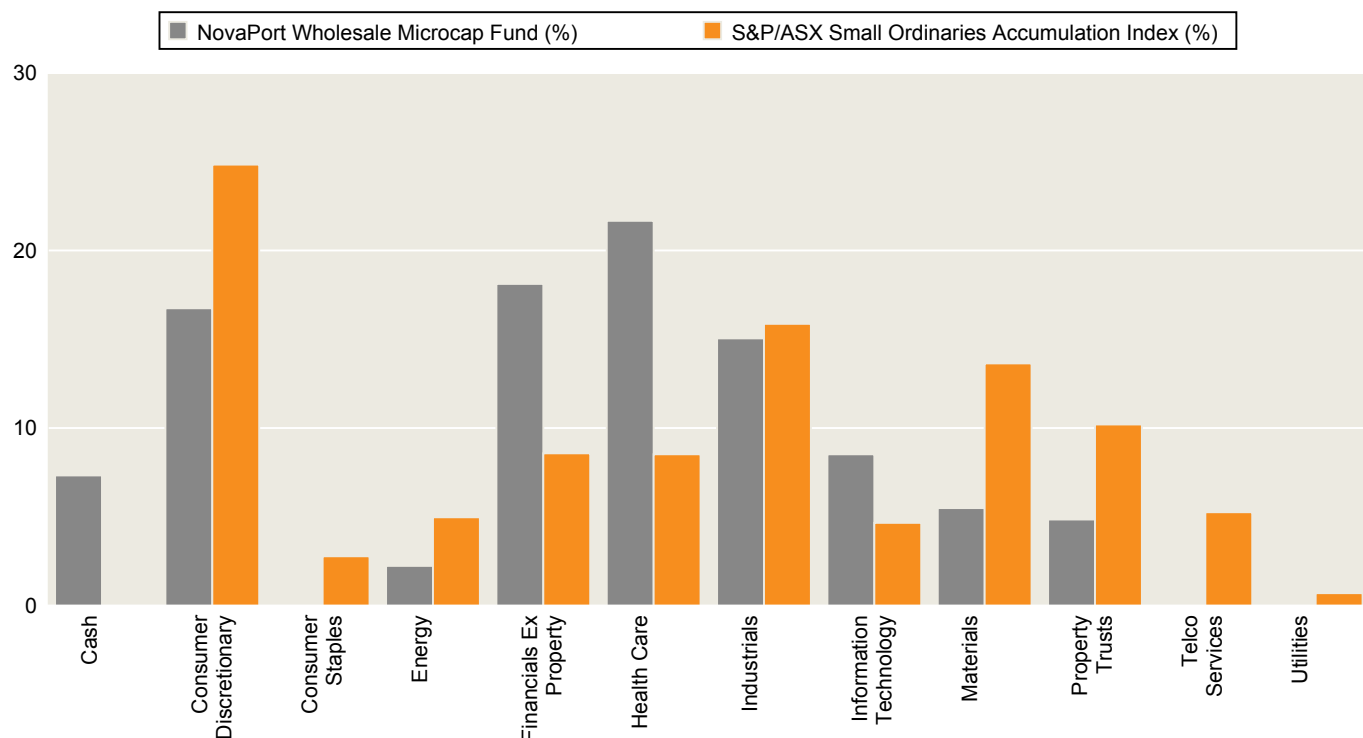
Asset allocation	As at 31 March 2015 (%)	Range (%)
Security	92.67	60-100
Cash	7.33	0-40

Top 5 active positions as at 31 March 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Capitol Health Ltd	6.00	0.41	5.59
Medical Developments International Limited	5.18	0.00	5.18
360 Capital Group	4.85	0.00	4.85
1300 Smiles Limited	4.67	0.00	4.67
Somnomed Limited	4.66	0.00	4.66

Fund facts	
Inception date	22 March 2005
Fund size	\$36.3M
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 31 March 2015



Market overview

The Small Ordinaries Accumulation Index bounced back over the March quarter to finish up 7.30% making it easily the best quarter since September 2013 (which finished up 14.89%). Unlike recent quarters, the disparity between the industrials and resources sectors was not as material with the former up 7.52% and the miners up 6.33%.

The key event over the quarter was the release of December half results. As highlighted in last month's update, accompanying commentary highlighted subdued conditions across the domestic economy. Following a 25 basis point reduction in February, the Reserve Bank elected to hold rates steady in March. However, the likelihood remains rates will decline further from current levels given generally weaker economic conditions.

Including revisions over March, forecast earnings for the remainder of the financial year are lower than expectations at the beginning of the quarter which is not unusual as we move through the financial year. However, while downgrades have exceeded upgrades, the net impact on total market earnings has not been as negative as more recent reporting periods. This suggests we are moving along the bottom of the earnings cycle. Earnings multiples remain elevated implying the market is prepared to look through a subdued profit environment for now given the expectation that lower interest rates, a weaker Australian dollar, increased resources production (as opposed to construction) and strong housing construction activity will contribute to improved earnings growth moving into 2016.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.30% for the quarter. The fund outperformed the market and delivered a +8.17% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Medical Developments International Limited	Health Care	5.18	2.40
Chandler Macleod Limited	Industrials	3.36	1.33
Capitol Health Ltd	Health Care	5.59	0.93

Medical Developments International Limited

Medical Developments continues to enjoy strong growth in sales, gross margins and EBIT and is pursuing European regulatory approval for the sale of Pentrox in select EU markets. A positive outcome would position the company to add additional EU



countries over the following months thereby materially expanding Pentrox's market reach. In the meantime, the share price continues to trade with some volatility, rising then consolidating.

Chandler Macleod Limited

Recruit, a Japanese information services and human resources company, acquired all the shares of Chandler Macleod for cash at a substantial premium. The company was delisted on 31 March following completion of the takeover.

Capitol Health Ltd

Posted a solid operational result. Meanwhile, incorporation of recently acquired Southern Radiology and IOP practices has boosted the earnings base of the business and importantly expanded Capitol's geographic footprint. The company has benefited from favourable changes to radiology referral regulations and management continue to pursue growth opportunities.

Key detractors

Security name	Sector	Active weight %	Value added %
Eservglobal Limited	Information Technology	1.46	-1.48
Saunders International Limited	Industrials	3.04	-1.23
Tap Oil Limited	Energy	1.22	-1.11

Eservglobal Limited

The company continues to pursue a commercialisation of its payments platform however at a slower pace than the market would like to see. Otherwise it has recorded mixed results from the balance of its business.

Saunders International Limited

The company highlighted a competitive market place and some margin pressure. Furthermore the company has announced the retirement of its long standing and well regarded Managing Director.

Tap Oil Limited

Weaker oil prices have coincided with the commencement of production from the Manora oil field in Thailand. Tap is an oil producer and the share price has fallen in line with the poorer oil price environment.

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