

NovaPort Wholesale Microcap Fund

Quarterly report - March 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Inception % p.a.
Fund return	6.99	5.20	9.36	20.61	4.62	10.77
Growth return	6.71	4.56	8.11	19.12	0.35	4.93
Distribution return	0.28	0.63	1.24	1.49	4.27	5.85
S&P/ASX Small Ordinaries Accumulation Index	0.89	-1.46	-5.33	8.76	-3.80	2.33
Active return [^]	6.10	6.66	14.69	11.84	8.42	8.44

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

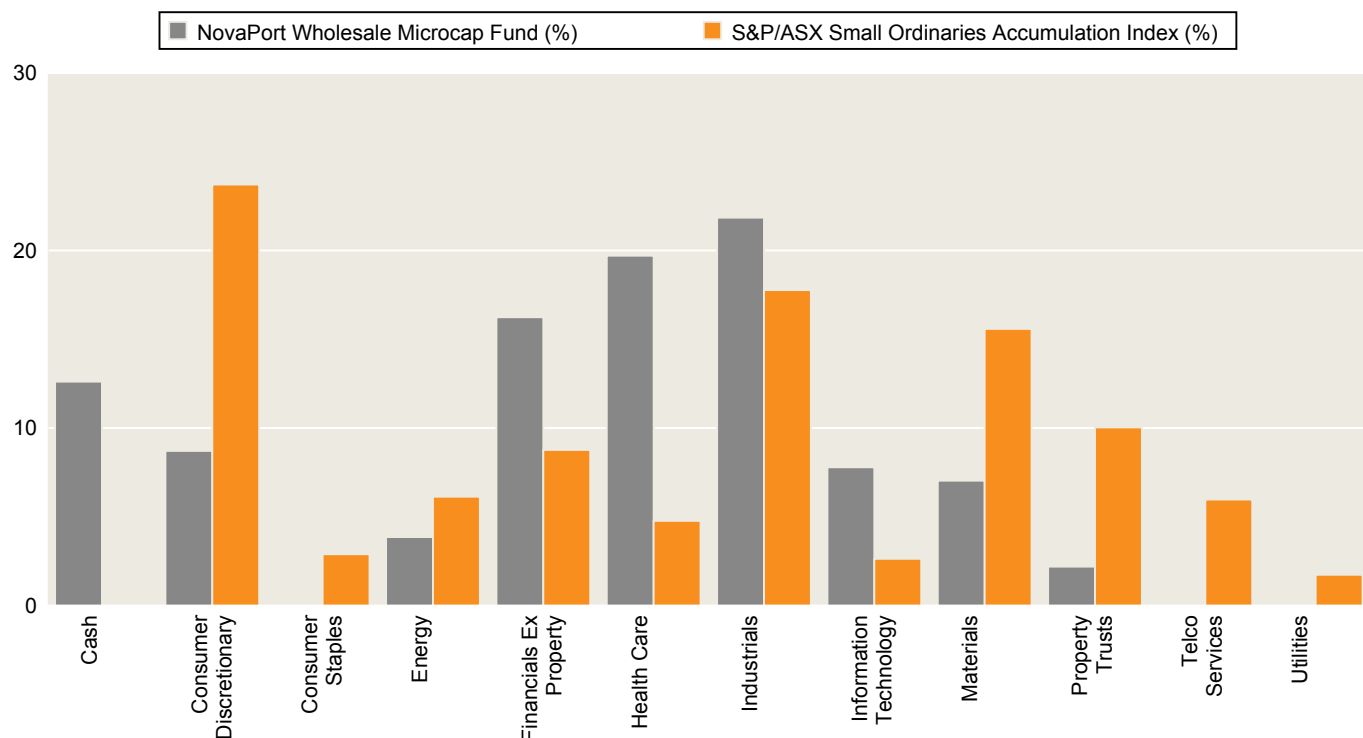
Asset allocation	As at 31 March 2014 (%)	Range (%)
Security	87.39	60-100
Cash	12.61	0-40

Top 5 active positions as at 31 March 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Capitol Health Ltd	5.69	0.00	5.69
Folkestone Ltd	5.42	0.00	5.42
1300 Smiles Limited	4.05	0.00	4.05
Corporate Travel Management Limited	4.11	0.32	3.80
Medical Developments International Limited	3.50	0.00	3.50

Fund facts	
Inception date	22 March 2005
Fund size	\$38.7M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2012-2013 ICR	6.00%
Management fee	1.50%
Performance fee	20% of the Fund's daily retrun (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 31 March 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished March down 1.16%, retracing somewhat from a broad based rally in the previous month. Over the quarter the benchmark posted a 0.89% gain. Weakness was concentrated in the energy and materials stocks while more defensive sectors such as telecommunications and property trusts rose. Investor sentiment remained resilient following a relatively benign earnings season, despite rising tensions in Europe and concerns about the health of the Chinese economy. Vendors remain eager to capitalise on stronger appetite for equities and there still appears to be a significant number of initial public offerings in the pipeline, which we assess for quality and upside potential. Domestic indicators such as hours worked and housing approvals point to an emerging recovery in some parts of the economy and we believe this can support earnings over the medium term. While we retain a constructive view of the overall market, the recovery is not yet fully established and needs to be carefully monitored.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.89% for the quarter. The Fund outperformed the market and delivered a +6.99% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	5.69	2.50
WDS Limited	Industrials	3.13	0.94
Calliden Group Limited	Financials Ex Property	2.70	0.91

Capitol Health Ltd

Capitol Health continues to grow earnings rapidly and in line with guidance. 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.

WDS Limited

WDS' mining operations have suffered from a severe downturn in the Australian coal industry. Offsetting this, its fortunes have rebounded thanks to the energy division which has seen a substantial lift in revenue and earnings driven by contracts with Queensland's coal seam gas projects. The company is well placed to drive value from its strong balance sheet position as well as having potential for earnings upside from any improvement in the coal division.



Calliden Group Limited

An earnings downgrade in late 2013 resulted in Calliden entering the new year with a weaker share price. The share price has recovered as evidence from the FY13 results displays that the company is successfully executing its strategy to grow the contribution of agency revenue over time.

Key detractors

Security name	Sector	Active weight %	Value added %
Data No.3 Limited	Information Technology	1.98	-0.87
Fairfax Media Limited	Consumer Discretionary	-1.73	-0.60
Tap Oil Limited	Energy	1.42	-0.52

Data No.3 Limited

Data #3 reported a result below expectations reflecting still difficult trading conditions for IT services companies over the December half. The impact on earnings was exacerbated by the decision to maintain higher levels of client servicing capacity in place rather than seeking to cut costs to bolster short term earnings. The cut in dividend was also a disappointment for the market.

Fairfax Media Limited

Not held by the fund.

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.

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