

# NovaPort Wholesale Microcap Fund

## Monthly report - October 2013

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Inception % p.a.
Fund return	1.74	10.07	16.06	13.35	19.52	7.55	11.20
Growth return	1.74	9.71	15.67	12.16	17.57	2.23	5.09
Distribution return	-	0.37	0.39	1.19	1.95	5.32	6.11
S&P/ASX Small Ordinaries Accumulation Index	2.74	7.48	2.85	-2.73	7.46	-1.46	2.68
Active return <sup>^</sup>	-0.99	2.59	13.21	16.08	12.07	9.00	8.52

### 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.

<sup>^</sup> 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

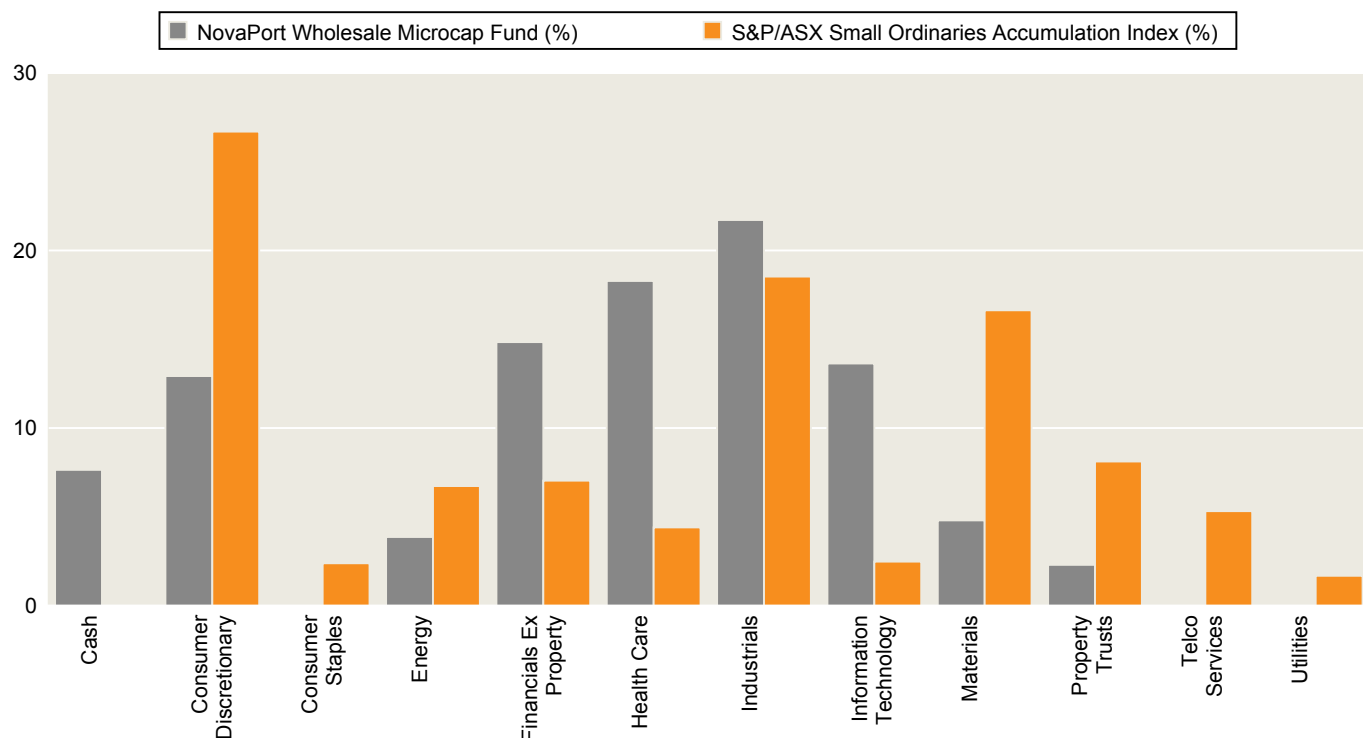
Asset allocation	As at 31 October 2013 (%)	Range (%)
Security	92.36	60-100
Cash	7.64	0-40

Top 5 active positions as at 31 October 2013	Fund weight (%)	Index weight (%)	Active weight (%)
Capitol Health Ltd	5.65	0.00	5.65
1300 Smiles Limited	4.85	0.00	4.85
Folkestone Ltd	4.65	0.00	4.65
Thorn Group Ltd	4.94	0.36	4.58
Saunders International Limited	4.02	0.00	4.02

Fund facts	
Inception date	22 March 2005
Fund size	\$35.7M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2012-2013 ICR	6.00%
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 31 October 2013



### Market overview

October saw another strong return from the S&P/ASX Small Ordinaries Accumulation Index, which rose 2.74% during the month and is now up 18% since 1 July 2013. Broadly it appears that the market is enjoying a 'Goldilocks' scenario, with enough signs of growth ahead to remain confident however not enough to drive central banks to dismantle monetary stimulus. One outcome of the rising market and elevated valuations has been a sudden increase in the number of Initial Public Offers.

During October and November most companies hold their annual shareholder meetings which often provides a useful insight into operating conditions and outlook. At this (early) stage relatively few surprises have emerged, with a consistent theme that companies see signs of trading conditions improving from the current low base. We note this has been particularly the case for companies exposed to financial services and housing while typically the retail sector has to wait until Christmas to get a gauge of the consumer.

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +2.74% for October. The Fund underperformed the market and delivered a +1.74% return over October.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	5.65	0.83
Probiotec Limited	Health Care	1.76	0.38
Oakton Limited	Information Technology	3.58	0.36

#### Capitol Health Ltd

Capitol Health is a growing Radiology business based in Victoria. The company's practice network is weighted towards General Practitioner referrals. This segment of the market is experiencing a lift in activity driven by expanded medicare funding of MRI referrals.

#### Probiotec Limited - not held

#### Oakton Limited - not held



## Key detractors

Security name	Sector	Active weight %	Value added %
Southern Cross Electrical Engineering Ltd	Industrials	2.80	-0.65
Uxc Limited	Information Technology	2.51	-0.44
Royal Wolf Holdings Ltd	Industrials	3.96	-0.44

### Southern Cross Electrical Engineering Ltd

Southern Cross Electrical highlighted the impact of project deferrals and increased competition in its core electrical contracting business. This has seen the order book reduce as the company has delivered on existing projects without having yet replaced these contracts with new work.

### Uxc Limited - not held

### Royal Wolf Holdings Ltd

Royal Wolf held its AGM during October at which it reported a weaker first quarter sales into the portable storage market in SE Australia. Growth from its other segments is expected to drive overall earnings higher. The company has consistently delivered ahead of expectations and the share price fell on this quarterly discrepancy.

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