

NovaPort Wholesale Microcap Fund

Quarterly report - September 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Inception % p.a.
Fund return	6.04	4.27	14.51	13.60	3.41	10.35
Growth return	5.57	3.48	13.25	12.31	1.60	4.77
Distribution return	0.47	0.79	1.26	1.29	1.81	5.58
S&P/ASX Small Ordinaries Accumulation Index	1.49	-0.07	1.71	-0.28	-5.24	2.12
Active return [^]	4.55	4.34	12.80	13.88	8.65	8.23

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

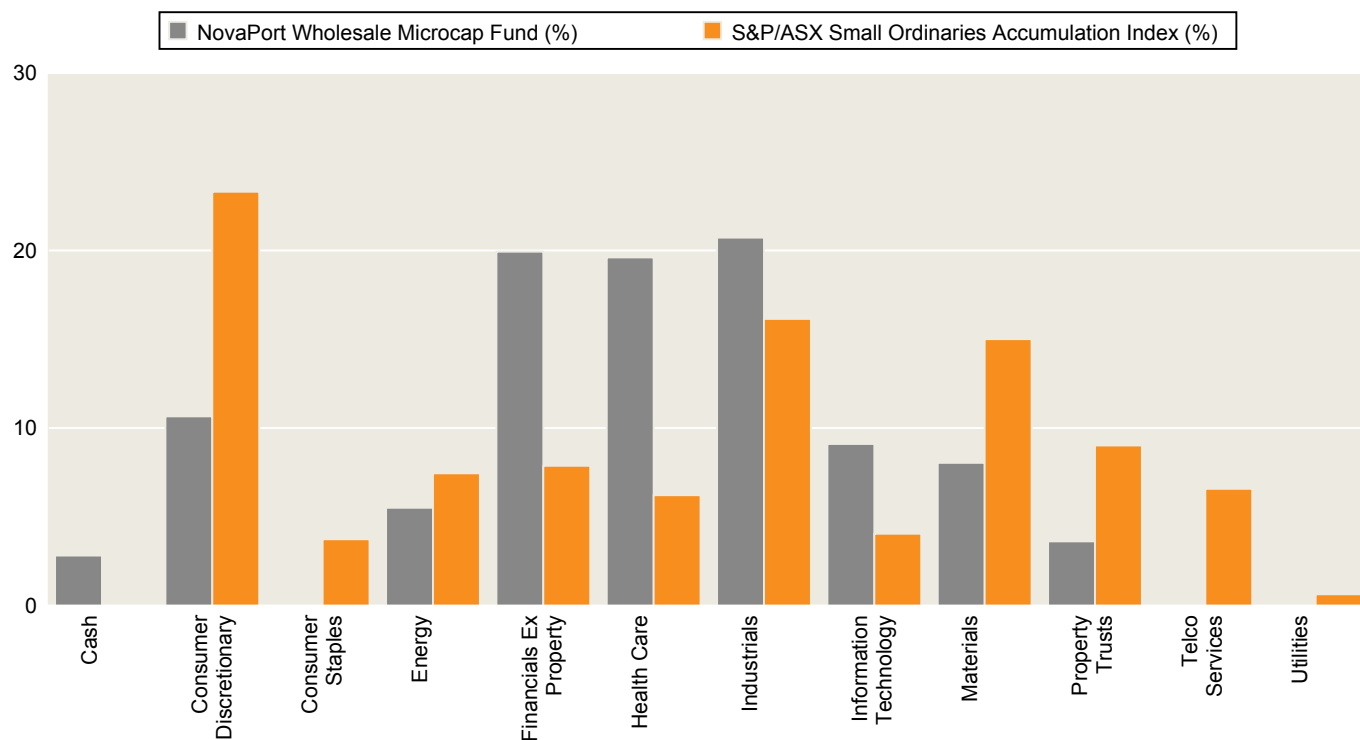
Asset allocation	As at 30 September 2014 (%)	Range (%)
Security	97.18	60-100
Cash	2.82	0-40

Top 5 active positions as at 30 September 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Folkestone Ltd	5.00	0.00	5.00
Capitol Health Ltd	5.02	0.22	4.79
1300 Smiles Limited	4.47	0.00	4.47
Somnomed Limited	4.45	0.00	4.45
Saunders International Limited	4.01	0.00	4.01

Fund facts	
Inception date	22 March 2005
Fund size	\$34.9M
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 September 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index declined 5.47% over September, it's worst month since June last year. The key driver was the 13.19% fall in the Resources sector compared to a 3.44% decline in Industrials for the month.

While the markedly weak performance in September dragged down the three month performance, the Small Ordinaries nevertheless still managed to finish the quarter up 1.49%. The divergence between Resources and Industrials extended over the quarter with the former down 8.59% while Industrials were up 4.22%.

The miners were materially impacted by weak commodity prices across the board over September with a slowdown in China adversely impacting sentiment (for iron ore especially) as well as a strengthening in the US dollar.

The key event for Industrials over the quarter was reporting season. Results for June 30 were generally in line with expectations prior to reporting season and as such there were no material changes to earnings growth estimates for the current financial year.

As expected, management commentary was largely reflective of the consensus view that general economic conditions were subdued over the last two quarters of the year reflecting the impact of the Federal budget and associated "austerity" commentary, weak consumer and business sentiment, still strong local currency and adverse effect of the wind down of growth capex in the resources sector.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.49% for the quarter. The fund outperformed the market and delivered a +6.04% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Capitol Health Ltd	Health Care	4.79	1.68
Somnomed Limited	Health Care	4.45	1.40
Oakton Limited	Information Technology	3.86	1.21

Capitol Health Ltd

Capitol Health delivered strong earnings growth, benefiting from regulatory changes to funding and referrals for MRI scans driving demand for its medical diagnostic imaging services and a better than expected contribution from an acquisition undertaken in May last year.



Somnomed Limited

Somnomed has delivered a strong track record of unit volume growth and is now approaching a point where we expect greater earnings leverage. The company is a market leader in the supply and manufacture of oral devices for the management of sleep apnoea, an application that has good patient acceptance and efficacy for milder cases.

Oakton Limited

On 12 August Oakton informed the market that it had received a cash offer from Dimension Data to acquire the entire company at \$1.90 per share. The offer is recommended by the board and represented an almost 30 percent premium to the last traded price.

Key detractors

Security name	Sector	Active weight %	Value added %
Medical Developments International Limited	Health Care	2.90	-0.82
Eservglobal Limited	Information Technology	2.74	-0.71
Countplus Ltd	Financials Ex Property	1.88	-0.63

Medical Developments International Limited

No additional news from the company in September apart from a positive announcement the company had entered into an exclusive distribution, license and supply agreement with a UK specialty pharmaceutical sales and marketing company to supply Pentrox to the UK and Ireland. The agreement involves a significant upfront payment to Medical Developments which is a positive validation from a third party regarding the company's expected success in achieving marketing approval for Pentrox in Europe.

Eservglobal Limited

The result was largely as expected, however, the sell down in shares by the company's CFO in September has weighed on the share price. We note in an announcement regarding the sell down the company reaffirmed it continues to trade in line with the Board's expectations.

Countplus Ltd

Countplus is building a network of accountancy and financial services businesses. The company is guided by and experienced and well regarded management team. The company delivered a weaker than expected result due to a more challenging trading environment, however continues to seek opportunities to expand its network via accretive acquisition.

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