

NovaPort Wholesale Microcap Fund

Quarterly report - September 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-2.59	-1.91	7.21	8.90	8.87	9.13
Growth return	-2.59	-2.71	6.52	7.88	3.53	4.04
Distribution return	-	0.80	0.68	1.03	5.33	5.09
S&P/ASX Small Ordinaries Accumulation Index	-3.90	-4.90	-1.22	-2.54	0.41	1.43
Active return [^]	1.31	2.99	8.43	11.44	8.46	7.69

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

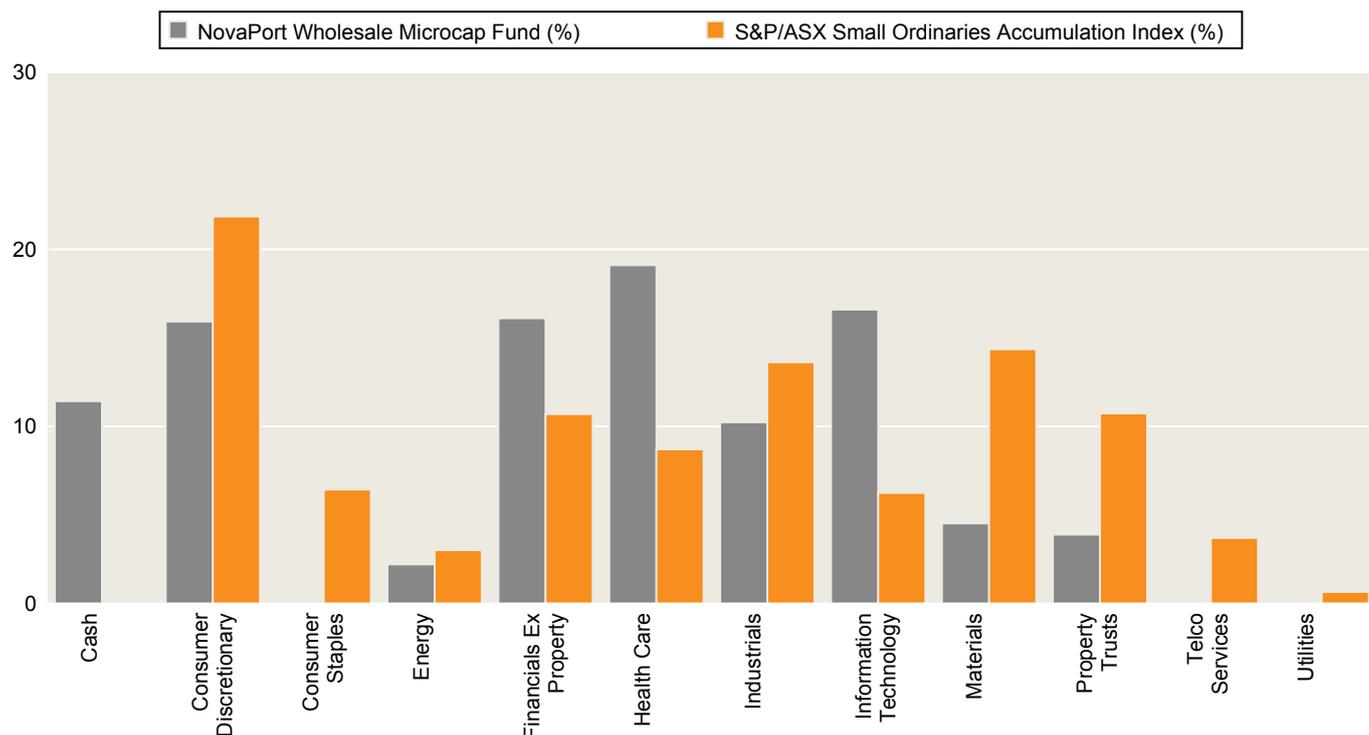
Asset allocation	As at 30 September 2015 (%)	Range (%)
Security	88.58	60-100
Cash	11.42	0-40

Top 5 active positions as at 30 September 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International Limited	8.02	0.00	8.02
Nick Scali Ltd	4.36	0.00	4.36
Fiducian Group Ltd	4.23	0.00	4.23
Somnomed Limited	4.20	0.00	4.20
Data No.3 Limited	4.00	0.00	4.00

Fund facts	
Inception date	22 March 2005
Fund size	\$33.5M
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 2015



Market overview

During the September quarter 2015, the Australian Small Ordinaries continued to play on the swings and the roundabouts, trading within a range defined over four years past. The benchmark lost 7.5% of its value over the July and August, then a rally commenced in September which trimmed these losses to 3.9% for the quarter. Once again, selling pressure was concentrated on resources stocks, which suffered a hefty 25% aggregate decline over the quarter while industrials were flat.

Much of the weakness in the resources sector can be explained by ongoing concerns surrounding the health of the Chinese economy. The Chinese stock market collapsed by nearly 27% over just 10 days during August. The US and local share market mirrored this mini collapse to varying degrees. Another notable external influence during the quarter was US monetary policy, where expectations for the timing of an increase in the United States Federal Reserve (Fed) funds rate were again extended.

Despite market gyrations, earnings results posted by smaller companies during August were on the whole in line with expectations and certainly better than those reported over recent years. This is consistent with our view that the market's current expectations are generally achievable and realistic, which we believe represents a sound foundation for investors. The US quarterly earnings season is underway at the time of writing and the coming weeks will provide an update on the health of many global industries.

Hefty falls in commodity prices and the Australian dollar over the last year have had a substantial impact on the underlying profitability of many companies in our universe. Much of this has been reflected in share prices however as the dust settles it is inevitable that investment opportunities will emerge.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.90% for the quarter. The fund outperformed the market and delivered a -2.59% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Medical Developments International Limited	Health Care	8.02	1.69
Data No.3 Limited	Information Technology	4.00	1.50
Liquefied Natural Gas Ltd	Energy	-0.57	1.07

Medical Developments International Limited

Medical Developments' price continued its year long climb over the September quarter with positive announcements highlighting distribution agreements to leverage the recently announced approval for the sale within the European Union of its inhalable analgesic pain relief product, Pentrox. Approval to sell Pentrox in such a large market has the potential to have a material impact on the market's valuation of the company in the years ahead.

Data No.3 Limited

Data #3 posted a strong financial year result in August which highlighted the company's efforts to realign the business as a higher margin infrastructure and management services company are starting to bear fruit. In addition, news flow from other listed IT services companies reporting their results in August point to a stabilisation, if not pickup in technology spend by customers after a few lean years.

Liquefied Natural Gas Ltd

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Tap Oil Limited	Energy	1.07	-0.76
Mincor Resources NI	Materials	0.61	-0.73
Eservglobal Limited	Information Technology	0.92	-0.68

Tap Oil Limited

The company continues to struggle with a fractious relations with a joint venture partner at its Manora Oil Development. Weaker oil prices have coincided with peak oil production, undermining the original investment case for Manora.

Mincor Resources NI

While the company has enjoyed exploration success, weak nickel prices have curtailed production to nominal levels. The company remains well funded, however awaits an improvement in the nickel price before it can resume full production at its WA operations.

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.

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