

NovaPort Smaller Companies Fund

Monthly report - July 2019

Performance ¹	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a ²
Fund return (net)	5.73	4.30	9.15	7.65	6.78	12.65	11.02	13.83
Growth return	5.73	1.81	3.71	3.41	1.37	8.43	1.98	5.16
Distribution	0.00	2.49	5.44	4.24	5.41	4.22	9.04	8.67
S&P/ASX Small Ordinaries Accumulation Index	4.51	4.15	7.61	9.26	9.18	5.86	6.03	7.85
Active return ³	1.22	0.15	1.54	-1.61	-2.40	6.79	4.99	5.99

Past performance is not a reliable indicator of future performance.

¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

² The inception date for the Fund is 31 December 2002

³ Numbers may not add due to rounding

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.

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 five years

Asset allocation	Actual %	Range %
Security	88.77	80-100
Cash	11.23	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	4.70	0.54	4.15
Cleanaway Waste Management Ltd	4.13	0.00	4.13
Credit Corp Group	4.59	0.69	3.90
Worleyparsons LTD	3.65	0.00	3.65
Ebos Group Ltd	3.34	0.00	3.34

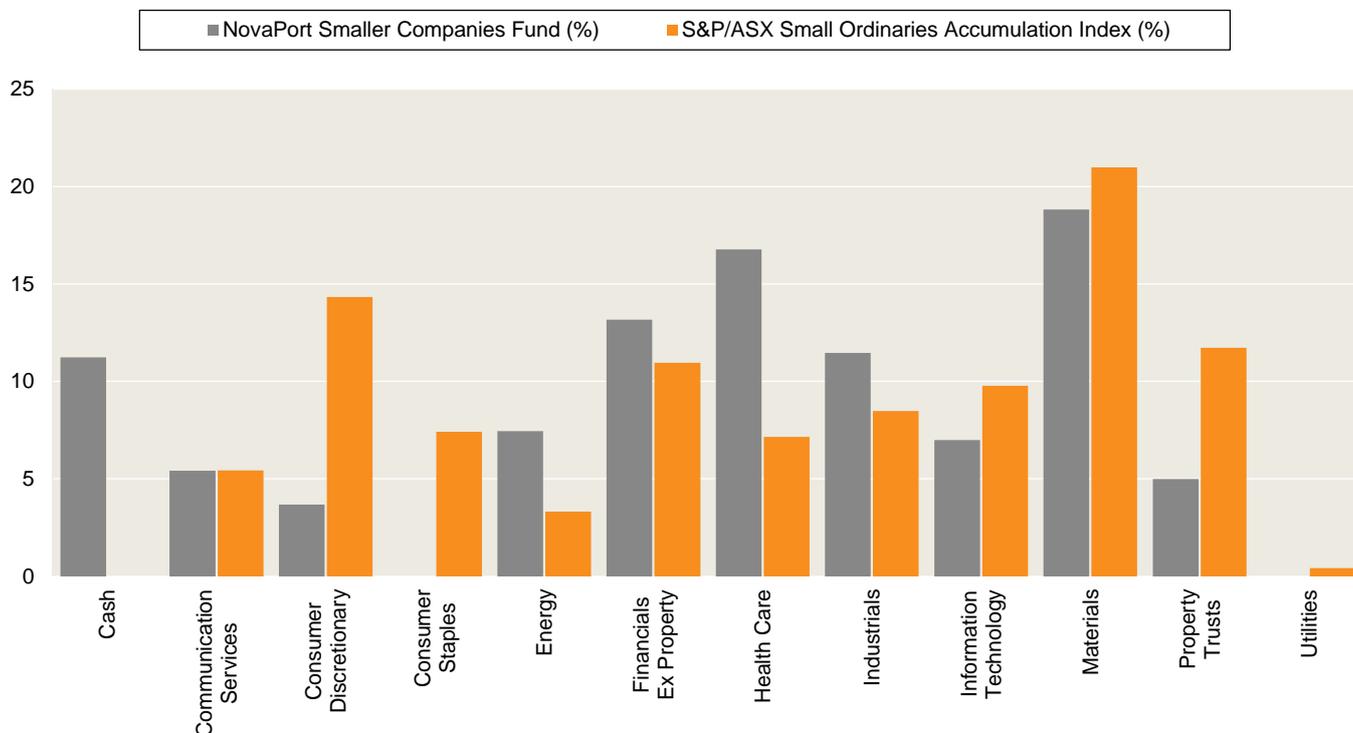
Fund facts	
Inception date	31 December 2002
Fund size	\$289.7M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	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). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

¹ Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee was reduced to 0.90% p.a.

² The performance fee was introduced from 1 October 2011

Sector exposure



Market overview

A strong start to the new financial year for smaller companies with the Small Ordinaries Index (Accumulation) up 4.51% over July. Smalls beat their ASX 100 counterparts by 1.70% with both industrials and miners contributing to the outperformance. While industrial companies posted a solid month up 3.70%, it was resources that powered ahead finishing up 7.91%. The rally in the gold price was a key factor driving the mining sector with the gold stocks up 13.26%.

Apart from the appointment of Boris Johnson as new British Prime Minister to manage Brexit as we approach the October deadline, the other major discussion point from a global perspective for the month was the dovish posturing of central banks looking to extend what has been a protracted cycle (in the US especially) and, maybe just as importantly, head off the repeat of a December quarter rout hitting stock markets again this year. July saw the Reserve Bank of Australia (RBA) announce the second 25 basis point cut in two months, with the US Federal Reserve also cutting a few weeks later. The European Central Bank also stressed its willingness to implement a more accommodative strategy should stubbornly low inflation persist. As expected, low inflation and interest rates contributed to strong performance by gold companies. In addition, July saw further gains by growth names locally with Wisetech, Pro Medicus and Fisher & Paykel all contributing to index performance.

Business and consumer indicators remain mixed in Australia. To what extent these measures reflect recent past or the bottom before some positive factors kick in remains to be seen. Regarding these positive factors, as raised in our June quarter update last month, the outlook may be better than current confidence figures would suggest based on lower interest rates, the stimulatory impact of up front tax cuts post the election, increasing anecdotal evidence declines in house prices are slowing and may be close to the bottom, APRA easing lending criteria thereby allowing more potential home buyers access to credit, exporters and tourism boosted by a weaker Australian dollar and strong mining activity.

Outlook statements issued as part of earnings reports in August will provide an early sign of where we are in assessing how much more downside there is in forecasts for this year's earnings before some of the factors highlighted above take hold and drive an improved economic performance.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +4.51% for July. The fund outperformed the market and delivered a +5.73% return over July.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Gold Road Resources Ltd	Materials	4.15	1.23
AUB Group Ltd	Financials Ex Property	3.10	0.27
Independence Group NL	Materials	2.89	0.26



Gold Road Resources Ltd

Gold Road benefitted from two key positives during the period: a strengthening A\$ gold price; and the unwinding of the discount markets applied to resource projects in ramp up as first gold was poured in July.

AUB Group Ltd

The share price reacted strongly on the reiteration of FY19 guidance in late July. Couple this with the recently installed CEO indicating a more aggressive growth bent than the outgoing CEO has seen the stock close the valuation discount it was trading at relative to its peers.

Independence Group NL

The company benefitted from its exposure to the A\$ gold price and to a lesser degree strength in the nickel price during the quarter. With the Nova project now in production the group is generating cashflow which it can use to pursue new growth opportunities or preferably distribute to shareholders.

Key detractors

Security name	Sector	Active weight %	Value added %
Credit Corp Group	Financials Ex Property	3.90	-0.42
WiseTech Global Ltd	Information Technology	-2.41	-0.24
St Barbara Limited	Materials	-1.30	-0.23

Credit Corp Group

Credit Corp reported a pleasing result with growth in earnings driven by its US and lending businesses. Despite this the share price fell as the guidance for robust growth in FY20 fell short of the market's more loft expectations. We believe the company has provided achievable guidance and that there are further growth opportunities available from its Lending, US and Australian businesses.

WiseTech Global Ltd

Not held.

St Barbara Limited

Not held.

For further information, please contact:

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