

# NovaPort Smaller Companies Fund

## Fund report and commentary – 31 August 2011

Performance						
	1 month (%)	Quarter (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Inception (%) p.a.
<b>NovaPort Smaller Companies Fund</b>	<b>-1.96</b>	<b>-4.63</b>	<b>11.12</b>	<b>5.04</b>	<b>8.50</b>	<b>14.35</b>
Growth return	-1.96	-5.32	8.91	2.64	-2.19	2.18
Distribution return	0.00	0.69	2.21	2.41	10.69	12.18
S&P/ASX Small Ordinaries Accumulation Index	-2.69	-6.34	7.24	-1.81	0.29	9.28
Active return	0.73	1.71	3.88	6.85	8.21	5.07
<b>NovaPort Wholesale Smaller Companies Fund</b>	<b>-1.87</b>	<b>-4.37</b>	<b>12.29</b>	<b>6.15</b>	<b>9.64</b>	<b>16.01</b>
Growth return	-1.87	-4.85	10.07	3.28	-0.66	3.77
Distribution return	0.00	0.48	2.22	2.87	10.31	12.24
S&P/ASX Small Ordinaries Accumulation Index	-2.69	-6.34	7.24	-1.81	0.29	10.20
Active return	0.82	1.97	5.05	7.96	9.35	5.81
<b>NovaPort Premier Smaller Companies Fund</b>	<b>-1.85</b>	<b>-4.37</b>	<b>12.30</b>	<b>6.16</b>	<b>9.65</b>	<b>18.49</b>
Growth return	-1.85	-5.42	9.39	2.80	-3.17	3.26
Distribution return	0.00	1.05	2.91	3.36	12.82	15.23
S&P/ASX Small Ordinaries Accumulation Index	-2.69	-6.34	7.24	-1.81	0.29	6.81
Active return	0.84	1.97	5.06	7.97	9.36	11.68

The Fund changed investment manager on 11 January 2011 at which time NovaPort Capital commenced managing the Fund. The investment methodology remains unchanged. Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

### Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies and aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods.

### Investment manager

NovaPort Capital Pty Limited

### Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort's approach is focused on buying companies with an improving outlook at a significant discount to valuation. At the same time, they pay particular attention to the underlying quality of company earnings, management and industry structure in order to minimise downside risk.

### Distribution frequency

Quarterly

### Suggested minimum investment timeframe

At least five years

### Asset allocation

	Current (%)	Range (%)
Securities	91	80-100
Cash	9	0-20

### Top five active positions as at 31 July 2011

	Fund weight (%)	Index weight (%)	Active weight (%)
Austbrokers Holdings	4.01	0.00	4.01
Cash Converters International	3.94	0.20	3.74
Kathmandu Holdings	3.67	0.33	3.34
Technology One	3.28	0.00	3.28
Fisher & Paykel Healthcare Corporation	3.27	0.00	3.27

### Fund facts

	NovaPort Smaller Companies Fund	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size (\$M)	19.2	38.7	180.1
APIR code	HOW0017AU	HOW0016AU	HOW0018AU

### Fees

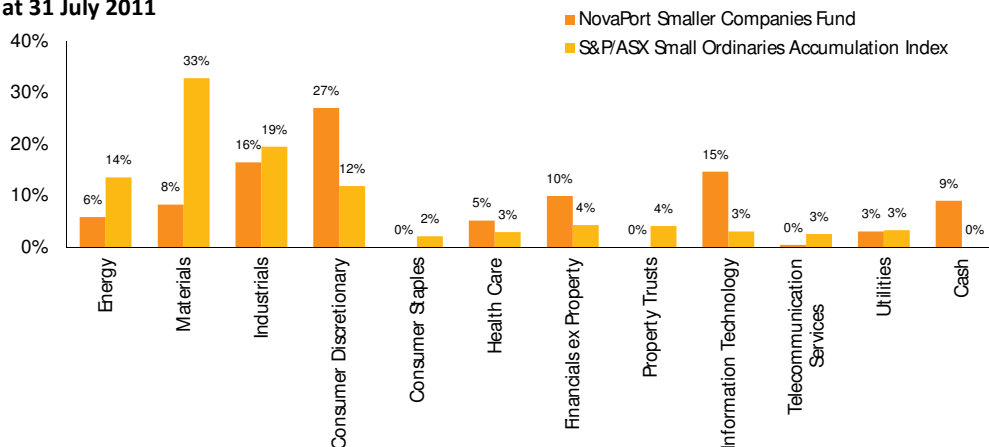
	NovaPort Smaller Companies Fund	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Entry fee	Up to 4%	Nil	Nil
2010/11 ICR	2.00%	0.95%	0.95%
Management fee	2.00%p.a.	0.95%p.a.	0.95%p.a.
Performance fee	Nil	Nil	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%



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### Sector exposure as at 31 July 2011



### Commentary

The S&P/ASX Small Ordinaries Accumulation Index was down 2.69% in August underperforming the broader equities market (S&P/ASX 300 Accumulation Index) which finished down 1.98%. Small industrials (down 2.20%) outperformed small resources (down 3.37%).

The Australian equity market outperformed its global peers over the month although domestic markets were still subjected to a sell-off reflecting global investor concerns regarding US debt levels and a slowing economy as well as ongoing issues plaguing the European banking system. The S&P500 fell 5.7% against this backdrop and softer US economic data (weaker than expected 2Q11 US GDP +1.3% annualised). Despite the ongoing uncertainty, US corporates still managed to deliver strong earnings growth over the US reporting season (+9.3% QoQ & +31.6% vs. the pc). Locally, there was still evidence of a two-speed economy as large investments in the mining sector looks to have kept the Australian economy afloat in the June quarter, with a 14.4% increase in spending by the sector driving a 4.9% rise in total capex. The RBA held the official cash rate unchanged at 4.75% due to a weak domestic economy outside of the mining sector. Retail sales volumes were flat (+0.3% MoM) while June building approvals (-3.5%), Q211 house prices (-0.1%), and July credit (+0.2%) were all soft. Unemployment rose to +5.1% in July and is expected to rise further with the wave of job cuts announced during the reporting season.

The Fund outperformed its benchmark over the month. Key contributors to returns were overweight positions in Count Financial, Saracen Mineral Holdings and Domino's Pizza Enterprises. Detracting from returns were overweight positions in Cash Converters International, Fisher and Paykel and Austral.

### Key contributors

**Count Financial:** up 38.24%

Count Financial outperformed after the company posted a preliminary record net profit after tax of \$52 million which was up 118% on the previous corresponding period. Its shares also surged

it had agreed to buy Count Financial for A\$1.40 per share, plus a 4 cent dividend, representing a 32% premium to that day's close.

**Saracen Mineral Holdings:** up 20.83%

Saracen Mineral Holding's share rose in August as gold futures hit a record \$US1801 a troy ounce against a backdrop of rising US debt levels and sovereign concerns. Investors also greeted the news positively that Saracen had received highly encouraging assay results from a recently completed drilling program at Whirling Dervish (adjacent to its Carosue Dam operations) which suggest significant resource potential and a possible future underground mine development.

**Domino's Pizza Enterprises:** up 20.90%

Domino's rallied over the month after the company increased its full year profit by 20%, and indicated that it expects another 15% in the current year due to strong growth in the company's business across Australia and Europe as well as the digital business, which continue to strengthen.

### Key detractors

**Cash Converters International:** down 37.01%

Cash Converters underperformed after the Federal Government released a series of draft reforms to the National Consumer Credit Protection Amendment (Enhancements) Bill 201, which would seek to cap fees and charges for consumer loans. Shares in the company also fell after the company announced US-based EZCORP Inc had terminated its proposal to acquire an additional stake in the second-hand goods and financial services franchise.

**Fisher & Paykel Healthcare Corporation:** down 11.90%

While there was no company specific news, as an exporter, Fisher & Paykel continues to be impacted by a strong NZ\$/US\$ exchange rate.

**Austral:** down 15.25%

Austral succumbed to a sell-off after the vessel manufacturer reported a 41% drop in net profit after tax for FY11, against a backdrop of a high AUD, weak European and US economies and increasing domestic labour costs.

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