

NovaPort Smaller Companies Fund

Quarterly fund report and commentary – 31 December 2012

Performance ²					
	Quarter (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
NovaPort Smaller Companies Fund¹	9.31	31.79	9.70	3.06	15.10
Growth return	8.05	28.41	7.10	-1.91	3.89
Distribution return	1.27	3.38	2.59	4.98	11.21
S&P/ASX Small Ordinaries Accumulation Index	2.04	6.58	-1.81	-6.94	7.46
Active return (net)	7.28	25.22	11.51	10.01	7.64
NovaPort Wholesale Smaller Companies Fund	9.07	29.91	9.94	3.63	16.45
Growth return	7.61	25.79	7.05	-0.44	5.20
Distribution return	1.46	4.13	2.90	4.08	11.24
S&P/ASX Small Ordinaries Accumulation Index	2.04	6.58	-1.81	-6.94	8.19
Active return (net)	7.03	23.34	11.75	10.58	8.26

Past performance is not a reliable indicator of future performance.

¹ The Fund is closed to new investments including initial and additional applications.

² 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.

Investment objective

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

Investment manager

Fidante Partners Limited

Investment manager

NovaPort Capital Pty Limited

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			
	As at 31 December 2012 (%)		Range (%)
Securities	93		80-100
Cash	7		0-20
Top five active positions as at 31 December 2012			
	Fund weight (%)	Index weight (%)	Active weight (%)
Sirtex Medical	5.20	0.65	4.55
Austbrokers Holdings	4.25	0.00	4.25
Technology One	3.90	0.00	3.90
Fisher & Paykel Healthcare	3.90	0.00	3.90
Cash Converters International	4.14	0.38	3.76
Fund facts			
	NovaPort Smaller Companies Fund ¹	NovaPort Wholesale Smaller Companies Fund	
Inception date	13/09/2002	31/12/2002	
Fund size (\$M)	19.16	43.85	
APIR code	HOW0017AU	HOW0016AU	
Fees			
	NovaPort Smaller Companies Fund ¹	NovaPort Wholesale Smaller Companies Fund	
Entry fee	Up to 4%	Nil	
2011/2012 ICR	2.00%	2.39%	
Management fee	2.00% p.a.	0.90% p.a. ²	
Performance fee	Nil	20% of the differences between the Fund's gross return (before fees and expenses) and the daily return of the ASX Small Ordinaries Accumulation Index plus 0.90% p.a. ³ This is capped at 2.00% p.a.	
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	

¹ The Fund is closed to new investments including initial and additional applications.

² 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.

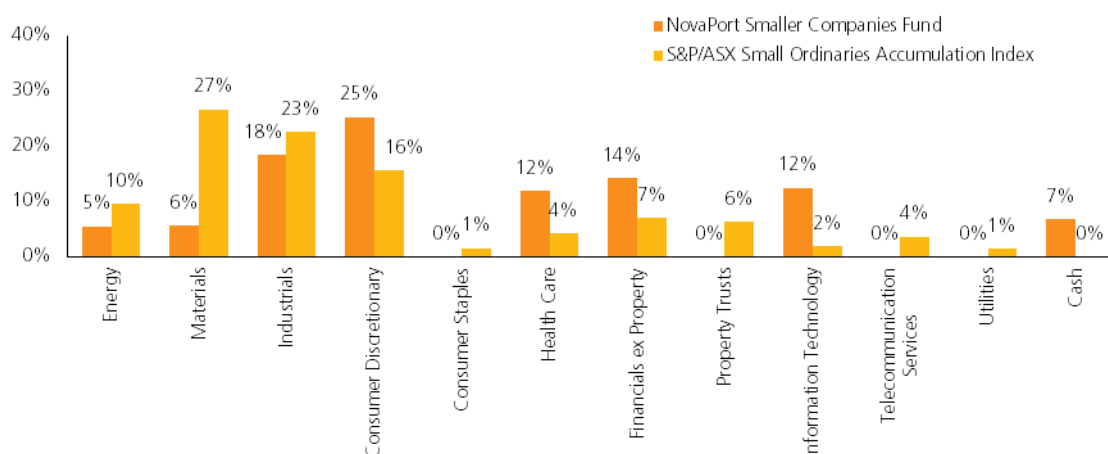
³ The performance fee was introduced from 1 October 2011.



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Sector exposure as at 31 December 2012



Commentary

The S&P/ASX Australian Small Ordinaries Accumulation Index gained 2.04% over the quarter, underperforming the ASX300 Accumulation Index which gained 6.77%.

Australian equities finished the year strongly with the S&P/ASX300 returning 19.7%, whilst the Small Ordinaries Index returned 6.58%. This trend was mirrored globally, with all major equity indices delivering positive returns in December. The MSCI World Index returned 16.5%, despite ongoing key risks in the macroeconomic environment. The lateness of the resolution to the US "fiscal cliff" saw markets fall from their peaks in December, however renewed confidence following the announcements saw both domestic and global markets rebound.

US economic data continued its positive momentum, with an additional 155,000 jobs added in December. Whilst the overall unemployment rate remained steady at 7.8%, the new jobs data saw the S&P500 index reaching its highest level in five years. China's purchasing managers index (PMI) was in expansionary mode at 50.6 and elections and power transitions were successfully completed in China, the US and Japan, increasing political stability across a number of regions. Australia's economic news remained mixed. An additional rate cut in December suggested a weakening outlook from the Reserve Bank of Australia (RBA) and consumer and business sentiment indices fell. Despite this, the unemployment rate fell to 5.2% although this may be due to a fall in the participation rate, and building approvals rose.

Key contributors

Sirtex Medical: up 39.45%

Sirtex's Yttrium-90 microsphere therapy is a treatment for metastatic colorectal liver cancer. The company's strong dose sales increase is being driven by growing awareness of its product, particularly in international markets. We believe the product has scope for substantial further market penetration and will benefit from new medical trials in this field and increasing use of the product by clinicians.

Cash Converters International: up 49.03%

Cash Converters continued to perform strongly following the release of quarterly earnings results that were well ahead of expectations. Furthermore, the company's online presence recorded significant momentum in their web based loan advances and internet store sales.

Clough: up 32.63%

Clough is an engineering and project services contractor servicing the energy, chemical and mining markets in Australia and Papua New Guinea. The outlook for the company remains strong with the potential for new contract wins and balance sheet strength.

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Key detractors

Austal: down 49.49%

Shipbuilding company, Austal Limited announced a rights issue to raise up to \$86m during the quarter. The company is experiencing headwinds from the high Australian dollar and the European recession. However, Austal has considerable upside potential from its US earnings as work from its Navy contracts increases.

Troy Resources: down 26.98%

Troy Resources is a junior gold producer and gold and base metals explorer with operations in Brazil and Argentina. The share price suffered following delays in the Casposo project in Argentina which have negatively impacted production. However the company has a strong balance sheet, exploration upside and is a low cost/high grade producer and there is the potential for significant upside in the share price.

Transpacific Industries: down 12.20%

Transpacific Industries is a waste management company with a number of deleveraging and operational improvement opportunities available. However the stock price has underperformed as near term earnings have come under more pressure than anticipated due to weak construction activity and a sluggish domestic economy.

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Fidante Partners Limited (ABN 94 002 835 592, AFSL 234668) the issuer of the NovaPort Smaller Companies Fund (ARSN 094 601 475) (**Fund**). NovaPort Capital Pty Limited (ABN 88 140 833 656, AFSL 385329) is the investment manager of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (**PDS**) relating to the Fund and consider that PDS before making any decision about the Fund. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. If you acquire or hold the product, we and/or a Fidante Partners related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the product. Neither Fidante Partners nor a Fidante Partners related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. NovaPort Capital, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.