

# NovaPort Smaller Companies Fund

## Monthly report - February 2018

Performance <sup>1</sup>	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	15 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	-0.27	1.59	10.80	5.06	8.89	8.62	14.49	14.33
Growth return	-0.27	0.60	7.78	-0.64	4.24	4.16	5.46	5.39
Distribution	0.00	0.99	3.02	5.70	4.65	4.45	9.04	8.93
S&P/ASX Small Ordinaries Accumulation Index	0.03	2.67	20.81	10.79	6.22	1.10	8.09	7.80
Active return <sup>3</sup>	-0.30	-1.09	-10.01	-5.73	2.67	7.52	6.40	6.53

**Past performance is not a reliable indicator of future performance.**

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

<sup>2</sup> The inception date for the Fund is 31 December 2002

<sup>3</sup> 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	92.04	80-100
Cash	7.96	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
AUB Group Ltd	3.68	0.00	3.68
Credit Corp Group	4.10	0.56	3.53
Peet Ltd	3.40	0.00	3.40
Ebos Group Ltd	3.21	0.00	3.21
Independence Group NL	4.53	1.33	3.19

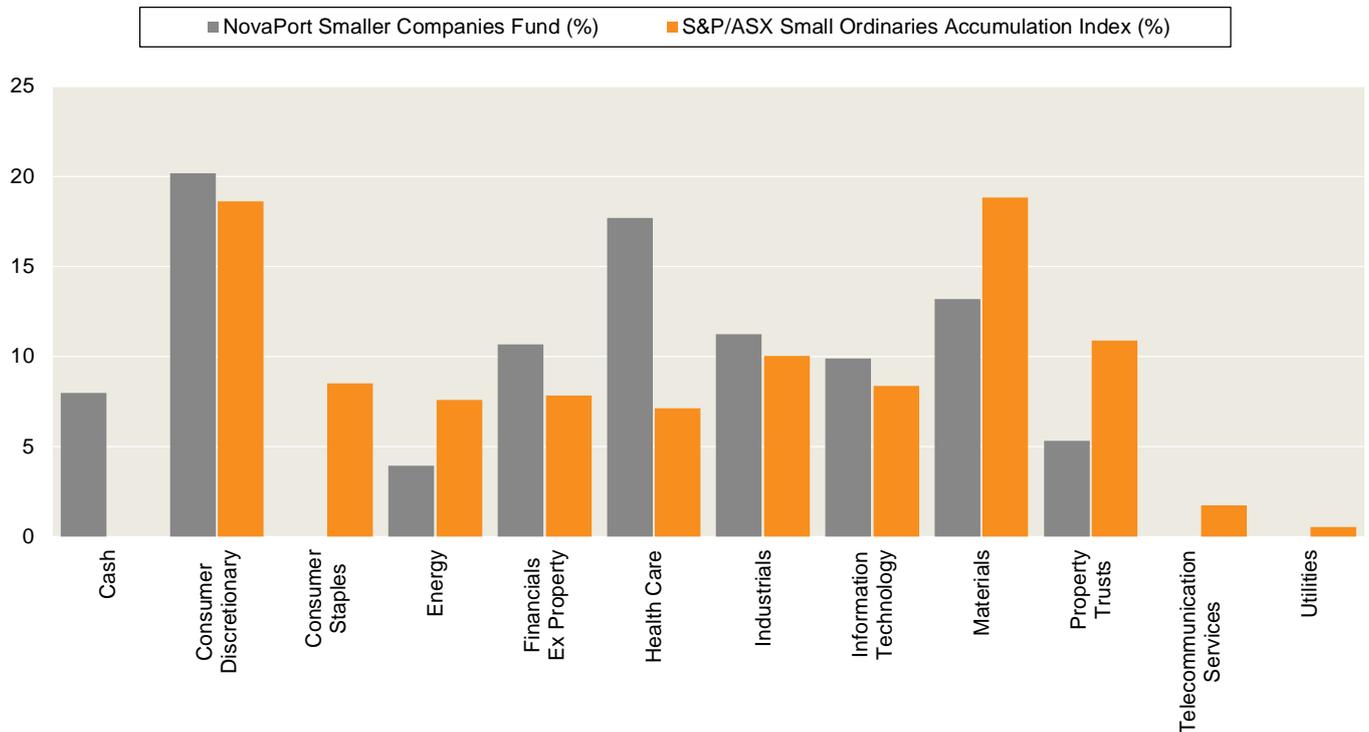
Fund facts	
Inception date	31 December 2002
Fund size	\$286.9M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2016-2017 ICR	0.90%
Management fee <sup>1</sup>	0.90% p.a.
Performance fee <sup>2</sup>	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%

<sup>1</sup> 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.

<sup>2</sup> The performance fee was introduced from 1 October 2011

## Sector exposure



## Market overview

The Small Ordinaries Accumulation Index finished February virtually unchanged, up just 0.03%. Below this headline there were substantial moves within the benchmark constituents as the market reacted to an abundance of earnings releases during the month and international market volatility concerns.

Overall the recent reporting season delivered results in line, if not marginally ahead of market expectations. There were the usual winners and losers which is to be expected. This year retailers saw some disappointment while the construction sector presented a generally positive outlook.

There was some stock specific volatility with a handful of highly valued companies delivering results which, while delivering growth, failed to meet already lofty market expectations. Markets remain willing to price companies 'for perfection' or more which remains a risky position when one considers the ups and downs nearly all businesses experience over time.

Australian markets were not immune from the concerns which preoccupied global markets early in February. The current improved outlook for global growth brings with it the underlying tension that ultra –easy monetary policy is not sustainable and an associated uncertainty about asset valuations. Against this backdrop the portfolio maintains a conservative position, balancing share price upside with near and medium term prospects as well as sustainability.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.03% for February. The fund underperformed the market and delivered a -0.27% return over February.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
GWA Group Ltd	Industrials	2.87	0.43
WiseTech Global Ltd	Information Technology	-0.67	0.30
HT&E Ltd	Consumer Discretionary	2.94	0.27

### GWA Group Ltd

Strong price reaction to the release of the interim result. While not materially above expectations, the release highlighted strong management execution on most performance metrics. Meanwhile, housing construction activity remains at elevated levels, which has bolstered the short term outlook. Lastly, the proposal to divest the Doors & Access segment in order to focus on the core Bathroom & Kitchens division was well received by the market.



## WiseTech Global Ltd

Not held by the fund.

## HT&E Ltd

HT&E released earnings in line with market expectations which saw the share price recover from heavily sold levels. The radio network generated strong sales towards the end of the year and the company is now establishing a consistent dividend policy following a period of asset and balance sheet consolidation.

## Key detractors

Security name	Sector	Active weight %	Value added %
Super Retail Group Limited	Consumer Discretionary	2.11	-0.53
Altium Limited	Information Technology	-1.28	-0.32
Iress Limited	Information Technology	2.18	-0.29

## Super Retail Group Limited

Super Retail Group delivered weaker than expected earnings in the half. The company cited interruption from significant store rebranding as well as elevated investment in its small but rapidly growing online business. The acquisition of outdoor and adventure brand / retailer Macpac was poorly received by the market.

## Altium Limited

Not held by the fund.

## Iress Limited

IRESS results were delivered in line with (downgraded) expectations and the company delivered an outlook for moderate growth over the coming year.

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### For further information, please contact:

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