

NovaPort Smaller Companies Fund

Monthly report - January 2018

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)	-0.82	3.53	11.77	8.20	9.82	8.54	14.38	14.42
Growth return	-0.82	2.52	8.72	2.32	5.14	4.09	5.35	5.44
Distribution	0.00	1.01	3.05	5.87	4.69	4.45	9.03	8.98
S&P/ASX Small Ordinaries Accumulation Index	-0.54	6.65	22.35	13.81	6.39	1.47	7.77	7.83
Active return ³	-0.28	-3.12	-10.59	-5.61	3.43	7.07	6.61	6.59

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	91.89	80-100
Cash	8.11	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
AUB Group Ltd	3.73	0.00	3.73
Credit Corp Group	4.09	0.56	3.52
Peet Ltd	3.25	0.00	3.25
Ebos Group Ltd	3.23	0.00	3.23
Independence Group NL	4.48	1.32	3.16

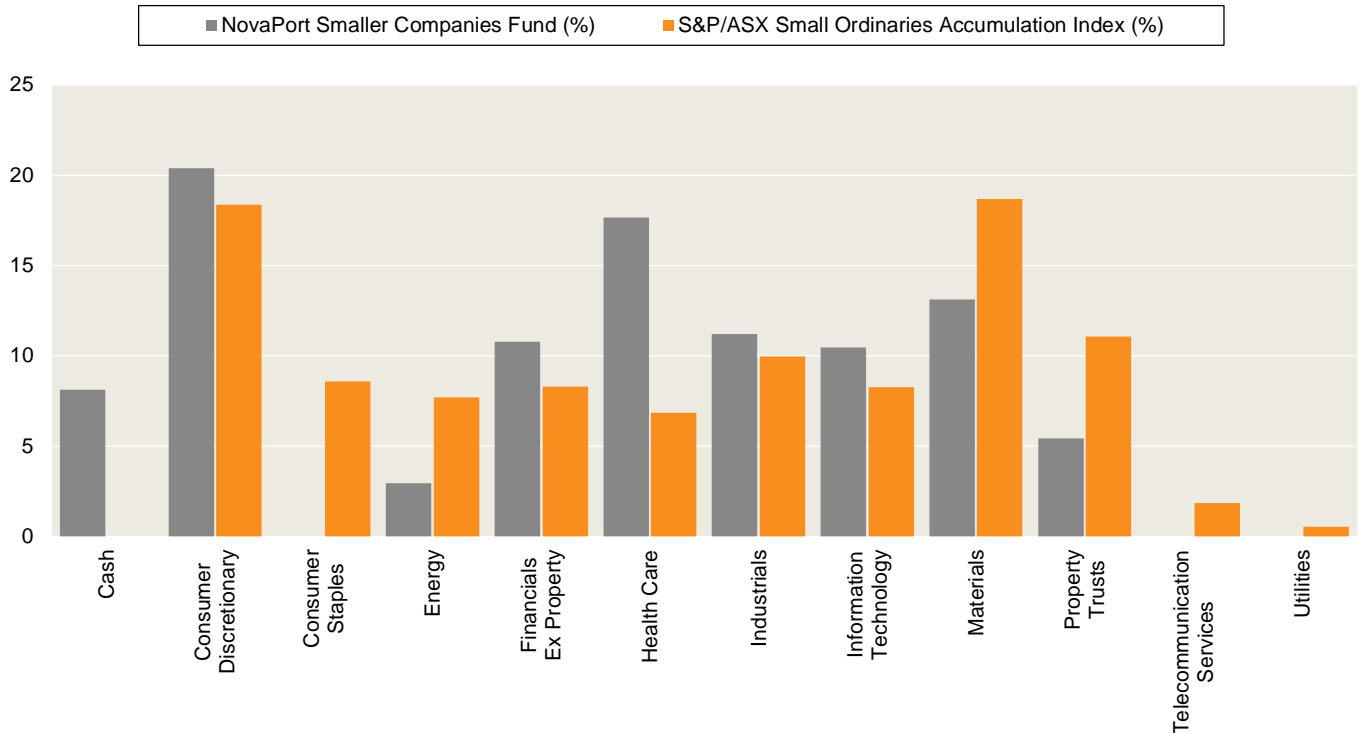
Fund facts	
Inception date	31 December 2002
Fund size	\$287.5M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2016-2017 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

The Small Ordinaries Accumulation Index started the new year in subdued fashion finishing down 0.54% in January. Weakness was spread between the industrial and resources segments with both down 0.43% and 0.93% respectively.

As expected in the quiet period before the busy February reporting season stock specific news flow was relatively sparse. The highlight company wise, was the announcement of a proposed all cash takeover of Sirtex at a substantial premium with the stock up 66.2% for the month. Otherwise, early earnings updates did not provide a strong signal either way for the upcoming reporting season.

However, regarding the macro economic environment, news flow added further impetus to the view that the outlook for the Australian economy continues to improve. Specifically, anecdotal evidence from the retail segment (where Christmas and Boxing Day trading are a major talking point for the market over January) suggested a better outcome than initially expected in early December.

Meanwhile, other economic indicators including building approvals, employment, consumer and business confidence levels held steady at elevated levels or showed continued improvement. However, despite improved demand activity, inflation gauges such as the Consumer Price Index highlight a stable pricing environment. Low inflationary expectations suggest interest rate rises in Australia are not imminent, which is another positive for businesses and consumers. This is especially the case for the latter, where the high level of household indebtedness is often cited as a key risk factor for the year ahead. To what extent wages growth (the missing piece in an improving economy) finally works its way into the economy is not clear at this stage but would provide some welcome relief should interest rates head higher in 2018.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.54% for January. The fund underperformed the market and delivered a -0.82% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Regis Healthcare Ltd	Health Care	2.82	0.33
Cooper Energy Limited	Energy	1.94	0.22
Mineral Resources Ltd	Materials	-1.67	0.19

Regis Healthcare Ltd

Regis Healthcare operates a large, high quality portfolio of Aged care facilities across Australia. Earnings and the share price were hit by government funding reforms last year and the share price recovered from a heavily sold level.



Cooper Energy Limited

Cooper Energy is an Australian focused oil and gas producer. The company is developing the Sole gas project in the Gippsland basin, offshore Victoria. This project is timed to supply gas to the domestic east coast market which is facing gas shortages due to the development of Liquid Nitrogen Gas (LNG) export capacity at Gladstone. Improved oil and LNG prices globally drove positive sentiment to the stock during the period.

Mineral Resources Ltd

Not held by the Fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Sirtex Medical Limited	Health Care	-0.89	-0.36
HT&E Ltd	Consumer Discretionary	2.65	-0.27
Village Roadshow Limited	Consumer Discretionary	2.50	-0.25

Sirtex Medical Limited

Not held by the Fund. Sirtex was subject to a takeover offer in the period.

HT&E Ltd

HT&E announced that it had received a negative assessment from the ATO relating to prior years recognition of income from its NZ subsidiaries. The company is assessing whether it will contest these claims. Operationally, radio advertising spending recovered in late calendar 2017 and the company continues to deliver strong ratings.

Village Roadshow Limited

Released a disappointing earnings upgrade in late January highlighting weak conditions in the cinema exhibition segment due to less popular product as well as the continued after effect of the 2016 theme park multiple fatality on the Gold Coast which occurred at a competitor's site close by. Better product is expected to underpin better cinema earnings in the current half and theme park attendance continues to track back to historical levels.

For further information, please contact:

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