

# NovaPort Smaller Companies Fund

## Monthly report - April 2017

Performance <sup>1</sup>	1 month %	Quarter %	1 year %	3 years % p.a	5 years % p.a	10 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	-0.32	2.78	10.28	5.28	12.42	7.58	13.59
Growth return	-0.32	2.78	4.72	-0.99	7.82	0.72	4.29
Distribution	0.00	0.00	5.56	6.27	4.60	6.86	9.30
S&P/ASX Small Ordinaries Accumulation Index	-0.25	3.75	10.04	6.81	2.42	-1.35	6.55
Active return <sup>3</sup>	-0.07	-0.97	0.24	-1.53	10.00	8.93	7.05

**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 13 September 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

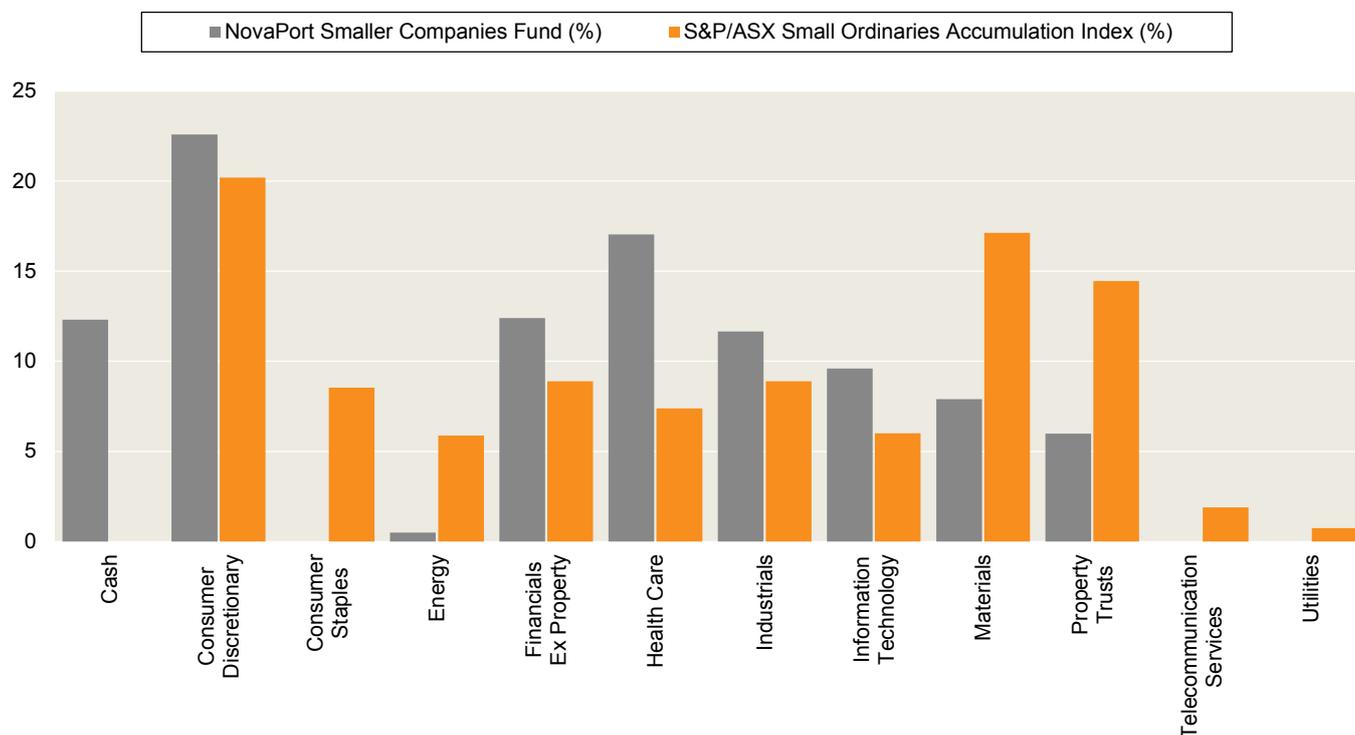
Asset allocation	Actual %	Range %
Security	87.70	80-100
Cash	12.30	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
AUB Group Ltd	4.51	0.00	4.51
Ebos Group Ltd	3.81	0.00	3.81
Credit Corp Group	4.26	0.56	3.70
Peet Ltd	3.39	0.00	3.39
GWA Group Ltd	3.82	0.55	3.27

Fund facts	
Inception date	13 September 2002
Fund size	\$19.9M
APIR code	HOW0017AU

Fees	
Entry fee	Closed to new investments
2015-2016 ICR	2.00%
Management fee	2.00% p.a.
Performance fee	Nil
Buy/sell spread	+0.30% / -0.30%

## Sector exposure



## Market overview

The Small Ordinaries Index delivered a marginal 0.25% decline during April. Resource stocks shed some of their prior months gains, while the industrials aggregate posted a small gain. Small companies underperformed large, with the ASX 100 index delivering a healthy 1.09% gain in April. Resources underperformance was associated with some uncertainty surrounding the near term outlook for Chinese commodity demand, and weaker commodity prices which were not offset by the decline in the Australian vs US dollar exchange rate. Consumer discretionary names also underperformed. The benchmark was supported by technology and healthcare stocks.

As the end of financial year is fast approaching and we suspect many investors are braced for the inevitable updates to earnings expectations. Our interpretation of the disclosures made to date suggests that the underlying business environment is patchy with some consumer names highlighting weaker growth, while other sectors (for example non-residential construction) are more optimistic.

Some market focus was directed towards what might emerge from the Federal Budget. Unusually there was little indication of likely government policies ahead of the budget. In the immediate aftermath of the announcement, there appears to have been limited impact on the smaller companies we invest in however the passage of the budget measures through the senate is never assured.

## Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.25% for April. The fund underperformed the market and delivered a -0.32% return over April.

## Performance of key securities

### Key contributors

Security name	Sector	Active weight %	Value added %
GWA Group Ltd	Industrials	3.27	0.24
Metcash LTD	Consumer Staples	-1.37	0.20
Credit Corp Group	Financials Ex Property	3.70	0.20

### GWA Group Ltd

While housing construction is at its peak, a material downturn is not expected in the short term. Meanwhile, new management continues to extract efficiency gains in procurement and distribution, reinvigorate product development while also implementing initiatives to improve sales via better relationship management with trades as well as retail centres.

### Metcash LTD

Not held in the fund.



## Credit Corp Group

Credit Corp shares rose during April, recovering some gains lost after a strong rally last year. The company has enjoyed renewed investor interest, possibly sparked by encouraging signs from its emerging business in the USA. In late April the company re-affirmed its earnings guidance for FY17.

## Key detractors

Security name	Sector	Active weight %	Value added %
APN News & Media Limited	Consumer Discretionary	3.22	-0.37
Village Roadshow Limited	Consumer Discretionary	2.11	-0.33
Super Retail Group Limited	Consumer Discretionary	2.75	-0.23

### APN News & Media Limited

Reports of weaker advertising markets have dented the performance of media stocks such as APN. The company confirmed the more challenging environment at its Annual General Meeting. Pockets of weakness in the media cycle are not uncommon and the company has a sound portfolio of assets which will benefit when the tide turns.

### Village Roadshow Limited

Recent updates highlight continues weakness in visitor numbers at its theme parks with the tragedy at Dreamworld late last year impacting its own operations. More recently inclement weather along the Queensland coast has also adversely impacted attendances. Investors now await management to follow through with its plan to divest assets to reduce debt levels given the impact on earnings.

### Super Retail Group Limited

Super Retail Group underperformed in April amid reports of softer growth in consumer spending and growing concerns that the future establishment of Amazon in Australia will elevate competitive forces and damage earnings. There are scant details of Amazon's intentions in the Australian marketplace or which segments it will target. Online or not, successful retailers seem to be distinguished by understanding what consumers want and a capacity to maintain competitive prices via operational efficiency.

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#### For further information, please contact:

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