

NovaPort Smaller Companies Fund*

Quarterly report - March 2016

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-2.61	-4.00	7.18	9.86	9.88	13.86
Growth return	-2.61	-12.23	2.22	5.64	-0.41	4.23
Distribution return	-	8.23	4.96	4.22	10.28	9.64
S&P/ASX Small Ordinaries Accumulation Index	1.03	3.72	1.49	-2.08	0.33	6.10
Active return [^]	-3.64	-7.72	5.68	11.94	9.54	7.77

Past performance is not a reliable indicator of future performance.

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

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.

[^] 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

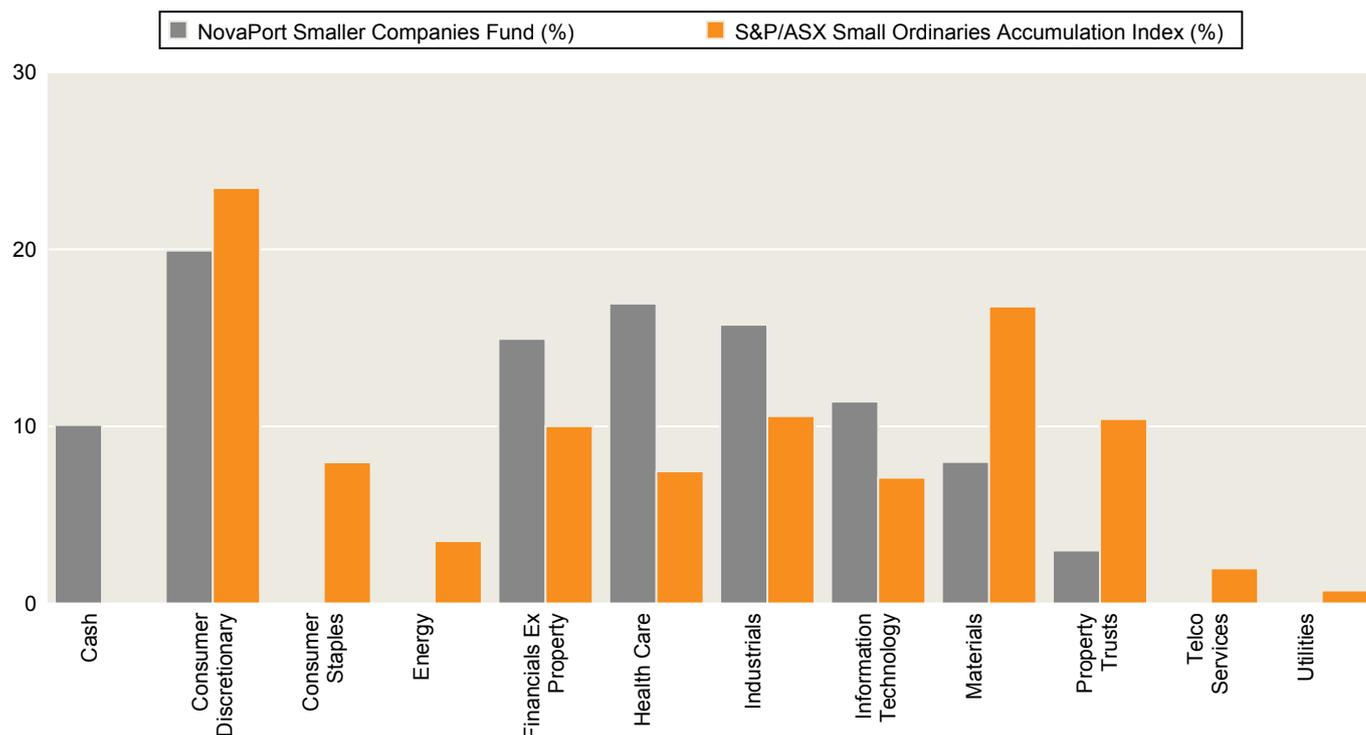
Asset allocation	As at 31 March 2016 (%)	Range (%)
Security	89.92	80-100
Cash	10.08	0-20

Top 5 active positions as at 31 March 2016	Fund weight (%)	Index weight (%)	Active weight (%)
Ebos Group Ltd	4.63	0.00	4.63
Credit Corp Group	4.04	0.38	3.66
APN News & Media Limited	3.95	0.45	3.51
Mystate Ltd	3.39	0.00	3.39
Flexigroup Ltd	3.91	0.53	3.38

Fund facts	
Inception date	13 September 2002
Fund size	\$19.2M
APIR code	HOW0017AU

Fees	
Entry fee	Closed to new investments
2014-2015 ICR	2.00%
Management fee	2.00% p.a.
Performance fee	Nil
Buy/sell spread	+0.30% / -0.30%

Sector exposure as at 31 March 2016



Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished up 1.03% for the March quarter. While the increase was not material, intra quarter volatility was significant with the index down almost 10% at one point reflecting the performance of the industrials sector. Meanwhile, resources companies posted a very strong performance up 17.3% for the three months to 31 March making it the strongest quarter for the miners since September 2013.

As always, the March quarter is important given it includes the February reporting season where companies release results for the first six months of the financial year. Notwithstanding overall earnings forecasts for the smaller companies sector were downgraded the number of companies and the quantum of earnings changes reflects a stabilising, if not growing economy. Low interest rates, a weaker Australian dollar compared to the last few years, low petrol prices, strong housing related activity and solid consumer and business sentiment levels underpinned reported corporate earnings. Overall, while an earnings upgrade cycle may not be imminent, the Australian economy continues its transition from over reliance on mining to a broader spread of drivers.

As mentioned, reporting season tends to be the key driver for the March quarter, however this time around international news flow was the main factor behind intra period volatility. Key issues included a resurgence in resources on decreasing fear of a hard landing in China and the US Federal Reserve moderating its tightening bias to counter implementation of negative interest rate policies by other central banks as well as concern capital market ructions could potentially derail the US economy's recovery. Locally, despite a weakening trend since 2011, the Australian dollars 16% gain over the quarter as well as the government's decision to bring forward the budget potentially leading to an earlier than expected election also played on investor's minds.

Despite these macro (and largely stock market related) issues, outlook statements by companies over February as well as generally benign economic conditions suggest the outlook for corporate earnings heading towards the end of the financial year is not pessimistic and certainly better than that of recent years.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.03% for the quarter. The fund underperformed the market and delivered a -2.61% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Saracen Mineral Holdings Ltd	Materials	1.15	0.86
Ebos Group Ltd	Health Care	4.63	0.77
APN News & Media Limited	Consumer Discretionary	3.51	0.65

Saracen Mineral Holdings Ltd

Saracen continues to post solid operational results at or above the market's positive expectations as it builds towards a substantial three hundred thousand ounce per annum gold producer. The March quarter included strong production results announced in January as well as news in February that first gold was poured at its Thunderbox project.

Ebos Group Ltd

The company reported a strong first half result driven by sales volume in the pharmaceutical distribution sector as well as acquisitions. The business continues to generate strong cash flows and distribute franking credits to Australian shareholders. Earnings delivering and growing market recognition saw the share price rally during the quarter.

APN News & Media Limited

APN News and Media reported earnings in line with expectations and continued progress on strengthening its balance sheet. Significantly, the company announced that it would seek to divest its Australian regional newspaper assets. The market responded favourably to the notion that the company would deliver a sharper focus on its stronger performing assets, seeing strong share price appreciation over the quarter.

Key detractors

Security name	Sector	Active weight %	Value added %
Cover-More Group Ltd	Financials Ex Property	0.69	-1.02
Sirtex Medical Limited	Health Care	1.14	-1.00
Ten Network Holdings Limited	Consumer Discretionary	1.36	-0.93

Cover-More Group Ltd

Released an interim result below expectations with higher claims costs crimping profitability in the short term. The market remains cautious while the company continues to negotiate a new pricing arrangement with its key insurance provider in Australia which, if successful, should smooth earnings volatility in future periods.

Sirtex Medical Limited

Sirtex reported first half dose sales growth at the lower end of market expectations, albeit still up by about fifteen percent. This was despite some positive feedback from clinical trial results last year. The company has historically seen some intra year variability in dose sales growth, and management believe dose sales growth is on track to meet its full year target.

Ten Network Holdings Limited

Ten's improved ratings performance held over the March quarter, albeit off a low base. Nevertheless, the price remains under pressure, along with other free to air media companies, on still weak industry revenue levels and uncertainty on the timing of amendments to media regulations, which in their current form restrict value added merger activity.

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