

# NovaPort Smaller Companies Fund

## Monthly fund report and commentary – May 2012

Performance <sup>2</sup>						
	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
<b>NovaPort Smaller Companies Fund<sup>1</sup></b>	<b>-4.25</b>	<b>-2.61</b>	<b>-1.39</b>	<b>15.32</b>	<b>1.25</b>	<b>13.56</b>
Growth return	-4.25	-3.76	-5.19	12.62	-7.47	2.02
Distribution return	0.00	1.15	3.80	2.70	8.72	11.54
S&P/ASX Small Ordinaries Accumulation Index	-10.22	-10.88	-14.88	6.15	-7.98	7.47
<b>NovaPort Wholesale Smaller Companies Fund</b>	<b>-5.07</b>	<b>-3.26</b>	<b>-1.26</b>	<b>16.18</b>	<b>2.12</b>	<b>15.04</b>
Growth return	-5.07	-4.59	-4.74	13.17	-5.98	3.48
Distribution return	0.00	1.32	3.48	3.01	8.10	11.56
S&P/ASX Small Ordinaries Accumulation Index	-10.22	-10.88	-14.88	6.15	-7.98	8.24
<b>NovaPort Premier Smaller Companies Fund</b>	<b>-4.17</b>	<b>-2.13</b>	<b>-0.12</b>	<b>16.63</b>	<b>2.36</b>	<b>17.66</b>
Growth return	-4.17	-3.47	-5.17	12.91	-8.32	3.07
Distribution return	0.00	1.34	5.05	3.72	10.69	14.58
S&P/ASX Small Ordinaries Accumulation Index	-10.22	-10.88	-14.88	6.15	-7.98	5.51

Past performance is not a reliable indicator of future performance.

<sup>1</sup> The Fund is closed to new investments including initial and additional applications.

<sup>2</sup> 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 May	Range (%)
Securities	94.59	80-100
Cash	5.41	0-20

### Top five active positions as at 31 May

	Fund weight (%)	Index weight (%)	Active weight (%)
Cardno	4.38	0.00	4.38
Austbrokers Holdings	4.35	0.00	4.35
Technology One	3.81	0.00	3.81
Fisher & Paykel Healthcare	3.71	0.00	3.71
Flexigroup	4.05	0.49	3.57

### Fund facts

	NovaPort Smaller Companies Fund <sup>1</sup>	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size (\$M)	17.42	35.48	2.42
APIR code	HOW0017AU	HOW0016AU	HOW0018AU

### Fees

	NovaPort Smaller Companies Fund <sup>1</sup>	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Entry fee	Up to 4%	Nil	Nil
2010/2011 ICR	2.00%	0.95%	0.95%
Management fee	2.00% p.a.	0.90% p.a. <sup>2</sup>	0.95% p.a.
Performance fee	Nil	20% of the difference 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. <sup>3</sup> This is capped at 2.00% p.a.	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%

<sup>1</sup> The Fund is closed to new investments including initial and additional applications.

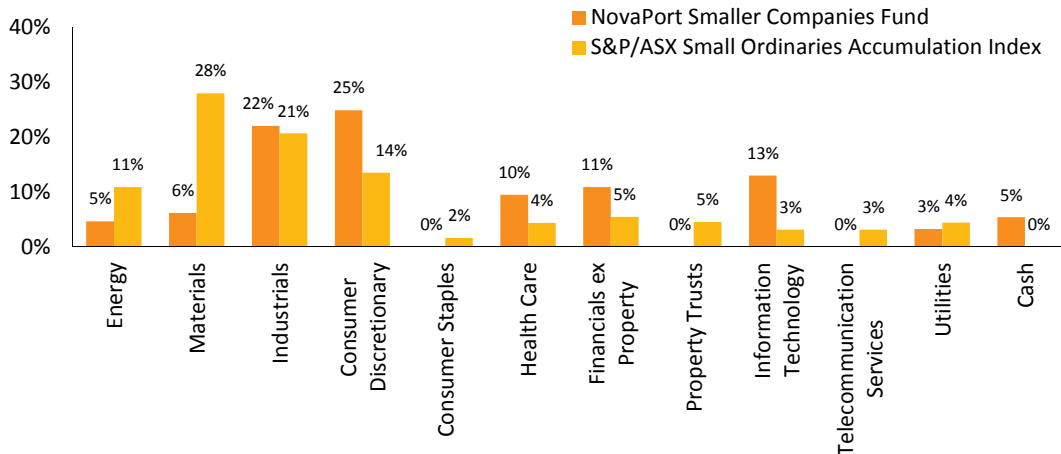
<sup>2</sup> Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee reduced to 0.90% p.a.

<sup>3</sup> The performance fee was introduced from 1 October 2011.

# NovaPort Smaller Companies Fund

## Monthly fund report and commentary – May 2012

### Sector exposure as at 31 May 2012



### Commentary

The S&P/ASX Australian Small Ordinaries Index continued to retreat in May, this time posting a loss of -10.22% and underperforming the broad market index which fell 6.7%. This erased all of the gains made for the year to date as financial markets recorded heavy losses.

Global and local markets alike endured some of their worst losses since the global credit crisis as continued instability in Europe resulted in a global equity market sell-off. A change of government in France shifted the political and economic landscape, prompting re-negotiations with key European leaders. Elections in Greece failed to deliver a government altogether as Greece edged closer to a default. Fears that Greece would leave the Eurozone sent markets into a tailspin with concerns the contagion could spread to other troubled European nations.

The Australian dollar fell to a six month low as global growth fears weighed heavily on the markets. The Reserve Bank of Australia (RBA) Board cut the cash rate 50 basis points to 3.75% and promptly followed it with a successive cut of 25 basis points in early June. The Board cited weakening in Europe and further moderation in China as significant factors behind the decision, in addition to softer domestic growth prospects. With market sentiment deteriorating and the global outlook becoming more uncertain, the Board opted for more accommodative monetary policy.

### Key contributors

**Talent2 International:** up 93.51%

Talent2 International announced a Scheme Implementation Deed with Morgan & Banks Investments, Allegis Group and Perbec. Perbec will acquire all outstanding Talent2 shares for cash. The cash consideration represents a 98.5% premium to Talent2's volume weighted average share price over the previous month.

**Cardno Limited:** up 5.71%

Cardno made no material announcements this month.

Cardno is an infrastructure and environmental services company which has driven growth through well executed acquisitions, most recently in the large United States market. After some speculation during May, S&P recently announced that Cardno will be admitted to the widely followed ASX 200 benchmark.

**Austbrokers:** up 3.89%

Austbrokers performed strongly this month given the defensiveness of the company's earnings base. Austbrokers is a high quality insurance broking business, and is expected to deliver double digit earnings growth over the next few years. Positive industry dynamics, including an increasing premium rate cycle increase our confidence that earnings can continue to grow independent of macroeconomic conditions.

### Key detractors

**Beach Energy:** down 21.43%

While Beach Energy's production forecasts failed to excite the market, we believe a more significant factor driving underperformance during May was a reduction in bullish sentiment towards the LNG market. Substantial unconventional gas discoveries, including those discovered by Beach itself are changing the dynamics of gas markets globally. With a diversified portfolio of producing and exploration assets, we remain confident Beach is well placed to commercialise its substantial resources.

**Australian Infrastructure Fund:** Not Held (Index: Up 5.38%)

The stock rose following the company's divestment of its last non-airport related investment, a 50% equity interest in the Port of Portland for \$66.5 million. The company continues to see strong patronage at its domestic airports and the share price is underpinned by expectations of healthy dividend growth.

**Buru Energy:** Not Held (Index: Up 22.26%)

The petroleum explorer finished the month up after releasing multiple positive drilling reports for the Yulleroo-3 and Paradise-1 projects.

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