

NovaPort Smaller Companies Fund

Monthly fund report and commentary – 31 January 2012

Performance ¹						
	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
NovaPort Smaller Companies Fund	3.51	-1.75	-0.39	22.00	3.33	13.73
Growth return	3.51	-3.06	-3.08	19.21	-6.15	1.91
Distribution return	0.00	1.31	2.69	2.79	9.47	11.82
S&P/ASX Small Ordinaries Accumulation Index	7.75	-0.71	-13.46	16.48	-4.11	8.35
Active return	-4.24	-1.04	13.07	5.52	7.44	5.38
NovaPort Wholesale Smaller Companies Fund	3.60	-1.49	0.67	23.29	4.41	15.34
Growth return	3.60	-3.09	-1.53	20.11	-4.51	3.51
Distribution return	0.00	1.61	2.20	3.18	8.92	11.83
S&P/ASX Small Ordinaries Accumulation Index	7.75	-0.71	-13.46	16.48	-4.11	9.18
Active return	-4.15	-0.78	14.13	6.81	8.52	6.16
NovaPort Premier Smaller Companies Fund	3.60	-1.49	0.66	23.29	4.42	17.86
Growth return	3.60	-3.04	-3.10	19.42	-7.10	2.98
Distribution return	0.00	1.55	3.76	3.87	11.52	14.88
S&P/ASX Small Ordinaries Accumulation Index	7.75	-0.71	-13.46	16.48	-4.11	6.15
Active return	-4.15	-0.78	14.12	6.81	8.53	11.71

Past performance is not a reliable indicator of future performance.

¹ 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

NovaPort Capital Pty Limited

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort's approach to managing the Fund is based on paying a reasonable price for companies with an improving profit growth profile, while paying particular attention to the underlying quality of company earnings and management.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years

Asset allocation			
As at 31 January 2012 (%)		Range (%)	
Securities	90	80-100	
Cash	10	0-20	
Top five active positions as at 31 January 2012			
	Fund weight (%)	Index weight (%)	Active weight (%)
Austbrokers Holdings Limited	4.04%	0.00%	4.04%
Fisher & Paykel Healthcare Corporation	3.77%	0.00%	3.77%
Cardno Limited	3.50%	0.00%	3.50%
Beach Energy Limited	5.10%	1.71%	3.40%
Transpacific Industries Limited	4.13%	0.79%	3.34%
Fund facts			
	NovaPort Smaller Companies Fund	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size (\$M)	18.3	35.9	177.4
APIR code	HOW0017AU	HOW0016AU	HOW0018AU
Fees			
	NovaPort Smaller Companies Fund	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. ¹	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. ²	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%

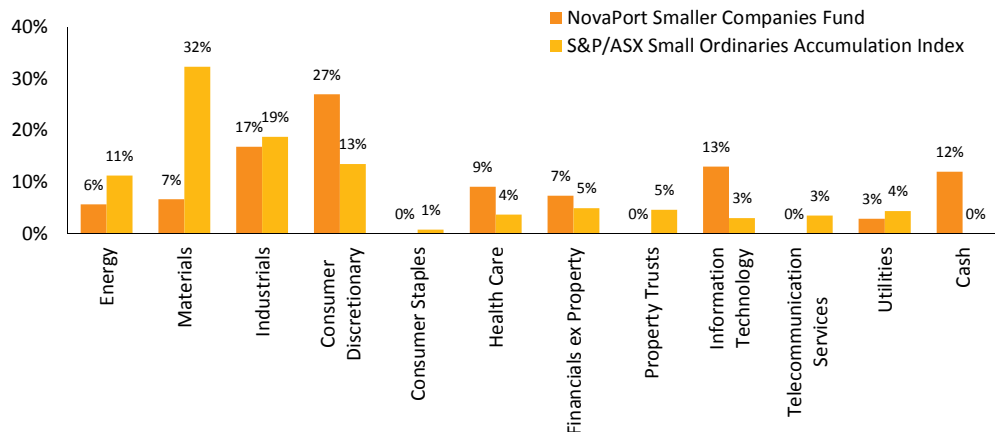
¹ Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee reduced to 0.90% p.a.

² The performance fee was introduced from 1 October 2011.

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Sector exposure as at 31 December 2011



Commentary

The Australian small caps market (S&P/ASX Small Ordinaries Index) finished the month +7.7%, outperforming the broader equities market (S&P/ASX 300 Accumulation Index) by +2.6%. Small resources (+11.4%) outperformed small industrials (+5.5%) as investor risk appetite returned.

January saw global equity markets (MSCI World Index +4.9%) continue in the same vein as late December. US economic data through January continued to point towards modest growth, with Q4 2011 GDP running at 2.8% annualised. US equity markets (S&P500 +4.3%) received further support after the Federal Reserve said it was considering additional asset purchases to boost growth after extending its pledge to keep interest rates low through to at least late 2014. More importantly, there were positive signs that the US labour market was on the mend as non-farm payrolls (employment) rose by 200,000 in December, beating the forecasts of 150,000. In Europe, the main driver behind the pickup in investor sentiment was lower yields due to healthier demand for eurozone sovereign bond auctions. Local mining small cap stocks benefitted from strong economic data in the US coupled with further signs that China was achieving a "soft landing". Gains were pared back later in the month as investor focus shifted to ongoing talks on a restructure of Greek private debt. On the domestic front, recent economic data continued to point towards a slowdown in economic activity. Employment contracted with the labour market shedding about 30,000 jobs over the month. CPI data for Q4 2011 also pointed towards relatively benign growth, reflecting aggressive retail price discounting and falling fresh food prices. The AUD rallied despite the firming prospect of another rate cut, appreciating around +4.0% against most of the major currencies during the month.

Key contributors

Beach Energy: up 19.84%

Beach rallied as the energy sector took its cue from a buoyant oil price and ongoing strength in US economic data. Its share price also rose on news that production had begun at its Joint Venture's Middleton gas production facility.

Aurora Oil and Gas: (Index down 13.27%)

Aurora underperformed after the oil and gas producer indicated that it would not become cash-flow positive until next year, despite expecting another year of strong production.

Cardno: up 15.61%

Cardno rallied on the back of its first half financial year 2011 profit announcement of between \$34 million and \$36 million, an increase of up to 13.6% on the previous corresponding period. Management attributed the growth to a continuing strong performance from the US operations, improving conditions in Australia and the contribution from recent acquisitions.

Key detractors

Fisher & Paykel Healthcare Corporation: down 11.83%

Fisher & Paykel Healthcare Corporation lagged the broader market as investors shunned stocks with perceived defensive attributes in favour of a return to "risk on" investments. This improving sentiment coincided with continued strength in the Australian dollar.

Kathmandu Holdings: down 3.05%

The weaker than expected retail trading conditions in the lead up to Christmas gave rise to the December downgrade to earnings expectations. This continued to weigh on Kathmandu over January.

Domino's Pizza Enterprises: down -6.20%

There was no direct news regarding Domino's over January. However, we note the stock was up 19% for the December quarter suggesting some profit taking over the month.

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