

NovaPort Smaller Companies Fund

Monthly report - October 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)	-9.09	-7.16	-1.13	5.22	4.67	13.21	11.33	13.37
Growth return	-9.09	-7.28	-5.02	0.79	-0.32	9.02	2.46	4.67
Distribution	0.00	0.12	3.89	4.44	4.99	4.19	8.87	8.70
S&P/ASX Small Ordinaries Accumulation Index	-9.60	-7.67	2.59	10.52	6.00	6.73	5.67	7.19
Active return ³	0.51	0.51	-3.71	-5.30	-1.33	6.48	5.66	6.18

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	90.31	80-100
Cash	9.69	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
AUB Group Ltd	4.24	0.00	4.24
Kathmandu Holdings Ltd	4.13	0.00	4.13
Cleanaway Waste Management Ltd	3.59	0.00	3.59
Credit Corp Group	4.06	0.51	3.54
Cooper Energy Limited	3.56	0.42	3.14

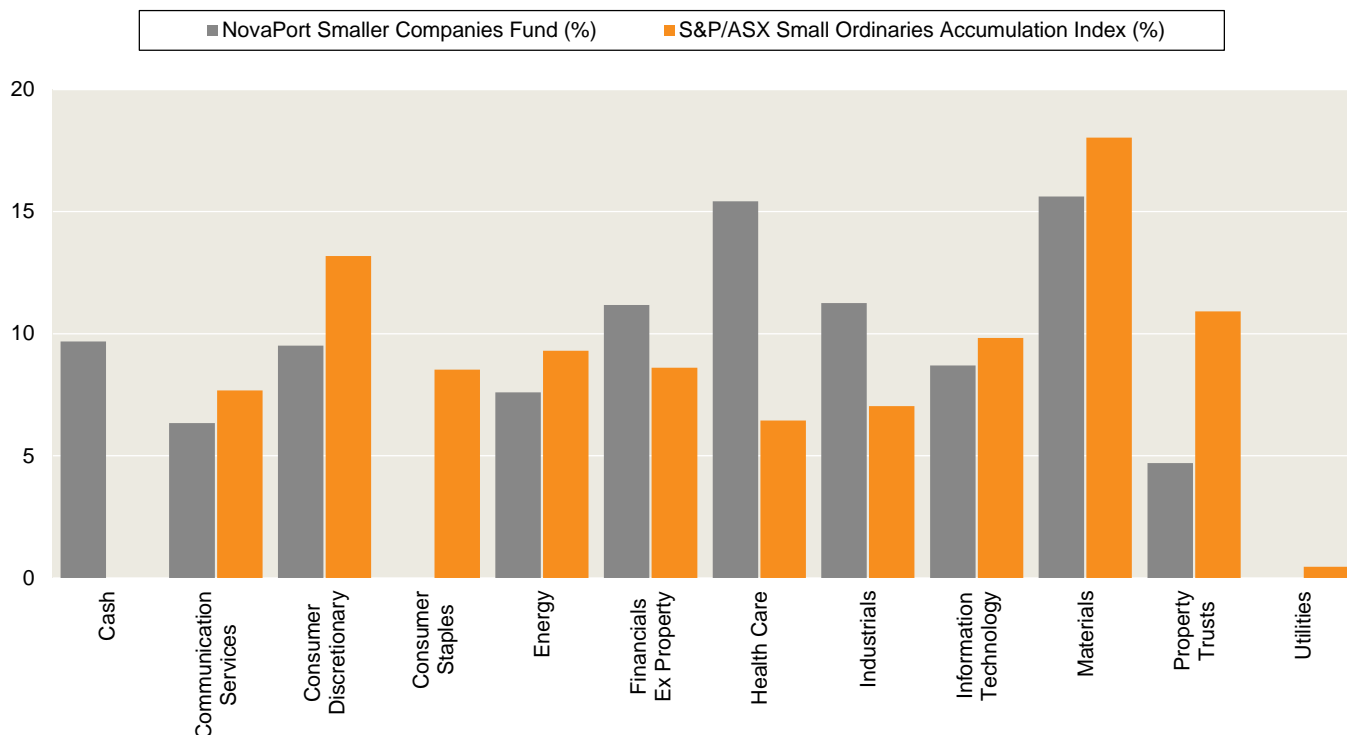
Fund facts	
Inception date	31 December 2002
Fund size	\$264.1M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2017-2018 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

Global equity markets tumbled during October (albeit from what was an elevated level). In Australia the Small Ordinaries (accumulation) benchmark fell by 9.60%. It was notable that many of the stocks which fell the furthest during the month (20% declines were not uncommon) did not report any change in their outlook. To us this indicates that the sell off related to broader macro concerns around monetary policy, the sustainability of global Gross Domestic Product growth and also possibly political stability.

During October small companies underperformed large companies by a margin of nearly 4%. Small resources outperformed small industrials. The outperformance of resources was driven by strong performances from gold miners and Soul Pattinson, which is broadly consistent with a defensive market skew.

Industrial stocks declined broadly and often without reference to company specific news. In general 'expensive' growth stocks saw the largest falls, yet many remain well above the levels they traded at a year ago. Outside of the gold sector the strongest performers were driven by corporate activity, specifically in MYOB Group, Navitas Limited and Greencross Limited.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -9.60% for October. The fund outperformed the market and delivered a -9.09% return over October.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Saracen Mineral Holdings Ltd	Materials	2.71	0.77
AUB Group Ltd	Financials Ex Property	4.24	0.41
Cooper Energy Limited	Energy	3.14	0.33

Saracen Mineral Holdings Ltd

The two drivers of Saracen's share price last month included a positive quarterly update highlighting record production as well as gold exposures coming into focus as safe havens as volatility rocked equities markets globally.

AUB Group Ltd

AUB group reported results in line with expectations. While the well respected Chief Executive Officer announced his resignation, the group has sufficient time to prepare for his replacement. Underwriting premiums have entered an inflationary cycle which is supportive of AUB's underlying earnings. The company is also making sound progress with its risk services strategy.



Cooper Energy Limited

Cooper Energy is developing the Sole Gas field offshore South East Australia. The project is not yet delivering gas to customers however the critical hurdle of drilling and well completion has now been delivered. Australian natural gas prices remain strong which provides Cooper with the opportunity to progress commercialisation plans for its substantial remaining gas resources.

Key detractors

Security name	Sector	Active weight %	Value added %
Worleyparsons LTD	Energy	1.42	-0.41
Washington H Soul Pattinson & Company Limited	Energy	-1.94	-0.33
St Barbara Limited	Materials	-1.23	-0.27

Worleyparsons LTD

Worleyparsons announced a major acquisition of a division of Jacobs engineering which required a significant equity capital raising. The market responded negatively to the acquisition. We suspect market concerns about the acquisition were amplified by its scale. The Jacobs acquisition nearly doubles the size of the overall group and probably created an overhang of shares. On a more positive note the acquisition delivers Worleyparsons substantial scale, access to new markets and capabilities and meaningful synergy opportunities.

Washington H Soul Pattinson & Company Limited

Not held by the fund.

St Barbara Limited

Not held by the fund.

For further information, please contact:

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