

NovaPort Smaller Companies Fund

Monthly report - November 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)	-1.82	-11.58	-4.49	4.85	4.62	13.96	11.22	13.16
Growth return	-1.82	-11.70	-8.25	0.42	-0.37	9.74	2.37	4.52
Distribution	0.00	0.12	3.76	4.43	4.99	4.21	8.86	8.64
S&P/ASX Small Ordinaries Accumulation Index	-0.37	-10.25	-1.63	10.39	7.06	7.77	5.82	7.13
Active return ³	-1.46	-1.33	-2.86	-5.54	-2.44	6.19	5.40	6.04

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	90.06	80-100
Cash	9.94	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Kathmandu Holdings Ltd	4.01	0.00	4.01
AUB Group Ltd	3.93	0.00	3.93
Credit Corp Group	4.13	0.52	3.61
Cleanaway Waste Management Ltd	3.43	0.00	3.43
Regis Healthcare Ltd	3.60	0.21	3.39

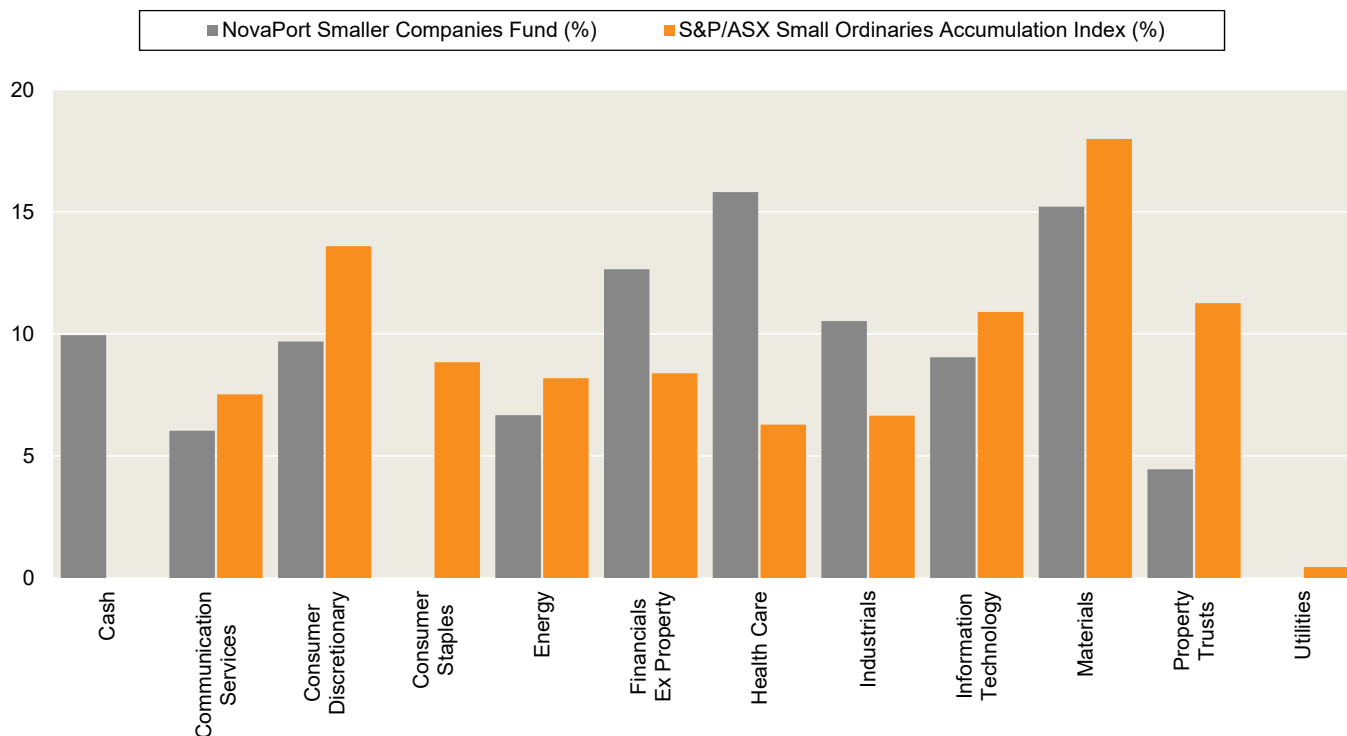
Fund facts	
Inception date	31 December 2002
Fund size	\$257.7M
APIR code	HOW0016AU

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

Following one of the biggest monthly declines (-9.6%) since the onset of the GFC, the Small Ordinaries Index (Accumulation) stabilised over November finishing down a more subdued 0.37%. The small miners posted another very weak performance down 4.07% while the industrials segment managed to gain 0.81%.

The “wall of worry” added a few more bricks over the month with bearish investors out numbering those pointing to the emergence of buying opportunities in a “healthy” correction. Signs the Federal Reserve may be turning dovish raised some concern the US economy will come off its peak earlier than expected. This implies some risk to corporate earnings over 2019. In addition, concerns regarding the impact of a trade war, a slowing economy in China and growing fears of a calamitous rather than orderly Brexit all weighed on market trading in an environment of less liquidity post QE.

In Australia, the sentiment wasn't that much better with house price declines moving from the financial pages to the front pages, bank credit harder to get (albeit households are already stretched), higher cost of living and the decline in housing construction yet to ripple through the broader economy. Investors are now contemplating the next interest rate move will be down not up which has been the prevailing view over most of 2018. With unemployment already at low levels, it seems the outlook for whether the next rate move is up or down is a race between wages growth and the combined impact of house price falls and the cyclical decline in housing related construction.

At the company level an increasing number of companies have highlighted a weaker consumer, the flow on impact of house price declines and lower borrowing capacity albeit other companies in similar sectors are performing well. All things considered however, the skew to earnings has moved to the downside since the August reporting season as we head into 2019.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.37% for November. The fund underperformed the market and delivered a -1.82% return over November.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Technology One Limited	Information Technology	2.96	0.48
Regis Healthcare Ltd	Health Care	3.39	0.44
Beach Energy Limited	Energy	-1.53	0.23

Technology One Limited

Technology One's share price gained over November on the release of a well-received full year result (30 September year end). The company re-affirmed positive trends in activity levels broadly as well as its initiatives to migrate its customers (new and old) onto its cloud delivery platform. While many high PER software stocks have de-rated recently, Technology One has outperformed on positive news flow and more modest investment multiples relative to the market darlings in the sector.



Regis Healthcare Ltd

Market volatility during November saw investors seek haven in more defensive style stocks such as the healthcare sector. The stock also appeared to find a floor as investors began to wrap their heads around the approaching Royal Commission into the sector.

Beach Energy Limited

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
AUB Group Ltd	Financials Ex Property	3.93	-0.38
Cooper Energy Limited	Energy	2.78	-0.36
Costa Group Holdings Ltd	Consumer Staples	-1.40	-0.27

AUB Group Ltd

AUB undertook a significant capital raising to continue to fund its growth strategy. Given the relative illiquid nature of the AUB stock, the price was negatively impacted as the market digested the freshly issued shares.

Cooper Energy Limited

Weaker oil prices weighed on Cooper despite the company's future being more tied to gas prices, specifically on the Australian eastern seaboard. The company is progressing the Sole gas project and is now looking at other opportunities to supply gas to the eastern seaboard market.

Costa Group Holdings Ltd

Not held by the fund.

For further information, please contact:

Fidante Partners Investor Services | 13 51 53 | email: info@fidante.com.au | website: www.fidante.com.au

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) the issuer of the NovaPort Smaller Companies Fund ARSN 094 601 475 (Fund). NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort) is the investment manager of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (PDS) relating to the Fund and consider that PDS before making any decision about the Fund. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. If you acquire or hold the product, we and/or a Fidante Partners related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the product. Neither Fidante Partners nor a Fidante Partners related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. NovaPort, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.

