

NovaPort Smaller Companies Fund

Monthly report - January 2020

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)	2.74	4.40	22.96	10.33	8.76	10.77	10.32	13.85
Growth return	2.74	3.53	18.56	6.10	3.31	6.56	1.33	5.37
Distribution	0.00	0.87	4.40	4.23	5.45	4.21	8.98	8.48
S&P/ASX Small Ordinaries Accumulation Index	3.38	4.69	18.84	12.13	11.18	5.29	4.91	7.78
Active return ³	-0.64	-0.29	4.12	-1.80	-2.42	5.48	5.41	6.07

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	89.25	80-100
Cash	10.75	0-20

Top 5 active positions	Fund weight %	Index weight %	Active weight %
Gold Road Resources Ltd	4.25	0.59	3.67
Credit Corp Group	4.56	0.92	3.64
AUB Group Ltd	3.88	0.46	3.42
Kathmandu Holdings Ltd	3.41	0.00	3.41
Worleyparsons LTD	3.21	0.00	3.21

Fund facts	
Inception date	31 December 2002
Fund size	\$312.2M
APIR code	HOW0016AU

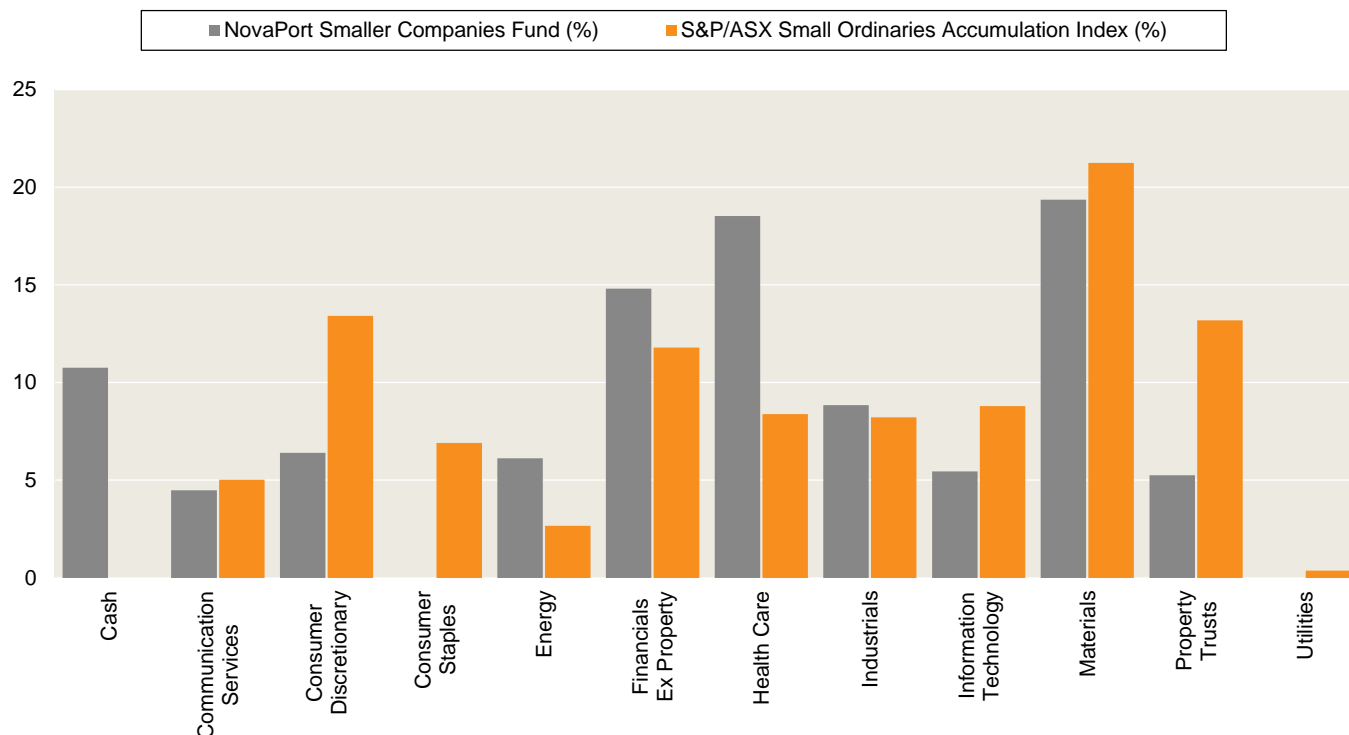
Fees	
Entry fee	Nil
2017-2018 ICR	0.90%
Management fee ¹	0.90% p.a.
Performance fee ²	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee is capped at 2.00% p.a.
Buy/sell spread	+0.30% / -0.30%

Data Source: Fidante Partners Limited, 31 January 2020.

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



Data Source: Fidante Partners Limited, 31 January 2020.

Market overview

The Small Ordinaries Index (Accumulation) posted a solid 3.38% return over January following a slight decline over the prior month. The gain was driven by the Industrials sector, up 4.13% making it the best month since February last year. Resources companies on the other hand only just managed to eke out a 0.32% positive return for January.

Global news flow was largely positive earlier in the month with a consensus emerging that the outlook for global growth was favourable compared to the prior year now that an imminent disorderly Brexit without negotiation and the US-China trade war are off the table for now. While the novel coronavirus (2019-nCov) outbreak was a growing issue over January its significance has only really come to the fore this month in line with the exponential increase in infection volumes and subsequent disruption to supply chain activity as well as business and leisure travel.

Locally, bushfires dominated news flow over January. Beyond the tragic impact of the fires including fatalities, property loss and effect on the environment, investors also had to weigh the likely impact on short term earnings for some sectors including retailers, companies with a regional presence (eg. some media) and broader impact on consumer confidence.

February sees the start of reporting season for 31 December results. While the diminution of global geopolitical issues as well as the emergence of the long-awaited green shoots the Reserve Bank has been pointing to are no doubt positive, areas of concern will be the impact of the fires and 2019-nCov. Should the virus peak and seen to be in decline by the time reporting season is in full swing later this month, investors will likely look through short term earnings hits. However, if the virus continues to spread and impacts China's production levels and capacity to participate in the global supply chain investors will likely face considerable volatility. Having equity valuations at higher than normal levels in such an environment will likely add to swings in share prices.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +3.38% for January. The fund underperformed the market and delivered a +2.74% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Credit Corp Group	Financials Ex Property	3.64	0.38
Saracen Mineral Holdings Ltd	Materials	1.69	0.24
Nearmap Ltd	Industrials	-0.32	0.18

Data Source: Fidante Partners Limited, 31 January 2020.

Credit Corp Group

Credit Corp reported its first half earnings during January. The market was encouraged by continued progress within its core and new businesses. The company delivered an encouraging outlook and the market responded favourably.



Saracen Mineral Holdings Ltd

Saracen benefited from volatile macro-economic conditions during the month which saw the gold price appreciate during the period. The company has also garnered increased interest following the company transforming acquisition during October when it acquired a 50% ownership interest in the Super Pit (Kalgoorlie, Western Australia) for US\$750M (~A\$1.1B). The company provided a positive initial update on the Super Pit operations during the month as part of its quarterly.

Nearmap Ltd

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	3.41	-0.48
Cooper Energy Limited	Energy	2.48	-0.32
PolyNovo Ltd	Health Care	-0.90	-0.25

Data Source: Fidante Partners Limited, 31 January 2020.

Kathmandu Holdings Ltd

After seeing its price rise by over 60% since August last year following a strong result and the acquisition of Rip Curl, Kathmandu saw some profit taking in January which has since been reversed.

Cooper Energy Limited

Cooper Energy's share price declined in January based upon increased uncertainty around government regulation of the Australian domestic gas sector. Much of Cooper's gas production is secured under long term contracts, however any intervention by the government in gas markets could impact on the pricing for future developments.

PolyNovo Ltd

Not held by the fund.

For further information, please contact:

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