NovaPort Smaller Companies Fund

Fund report and commentary – 28 February 2011

Performance	1 month (%)	Quarter (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Inception (%) p.a.
NovaPort Smaller Companies Fund	**4.67**	**11.45**	**14.54**	**3.45**	**10.40**	**16.02**
Growth return	4.67	10.03	12.45	-3.03	-6.40	3.06
Distribution return	0.00	1.42	2.09	6.48	16.80	12.96
S&P/ASX Small Ordinaries Accumulation Index	1.27	6.07	21.57	-2.43	4.12	11.35
NovaPort Wholesale Smaller Companies Fund	**4.76**	**11.75**	**15.76**	**4.53**	**11.56**	**17.79**
Growth return	4.76	10.09	12.82	-0.44	-4.74	4.70
Distribution return	0.00	1.66	2.94	4.98	16.30	13.09
S&P/ASX Small Ordinaries Accumulation Index	1.27	6.07	21.57	-2.43	4.12	12.41
NovaPort Premier Smaller Companies Fund	**4.76**	**11.74**	**15.76**	**4.55**	**11.57**	**19.99**
Growth return	4.76	10.06	12.85	-4.40	-7.03	4.00
Distribution return	0.00	1.69	2.92	8.95	18.61	15.99
S&P/ASX Small Ordinaries Accumulation Index	1.27	6.07	21.57	-2.43	4.12	8.96

The Fund changed investment manager on 11 January 2011 at which time NovaPort Capital commenced managing the Fund. The investment methodology remains unchanged. Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies and 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 is focused on buying companies with an improving outlook at a significant discount to valuation. At the same time, they pay particular attention to the underlying quality of company earnings, management and industry structure in order to minimise downside risk.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years

Asset allocation	Current (%)	Range (%)
Securities	95	80-100
Cash	5	0-20

Top five active positions as at 31 January 2011	Fund weight (%)	Index weight (%)	Active weight (%)
RP Data	4.83	0.00	4.83
Cardno	3.99	0.00	3.99
Village Roadshow	3.97	0.00	3.97
Austbrokers Holdings	3.69	0.00	3.69
Cash Convertors International	3.79	0.18	3.61

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)	21.1	47.2	114.8
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
2009/10 ICR	2.00%	0.95%	0.95%
Management fee	2.00%p.a.	0.95%p.a.	0.95%p.a.
Performance fee	Nil	Nil	Nil
Buy/sell spread	+0.40%/ -0.40%	+0.40%/ -0.40%	+0.40%/ -0.40%

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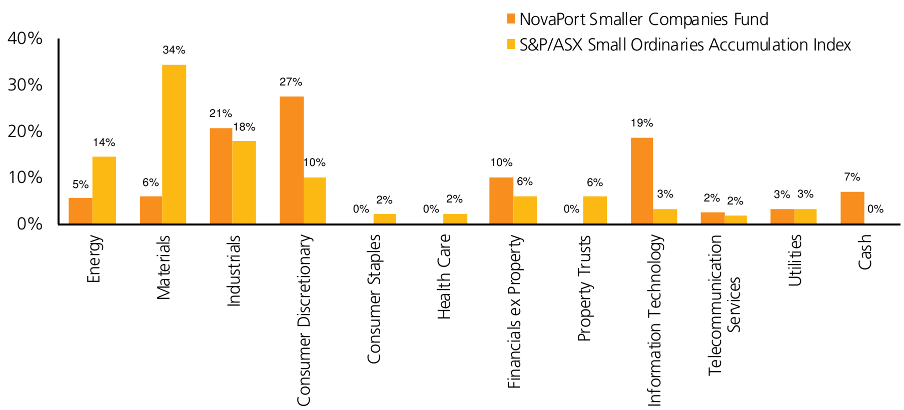
Sector exposure as at 31 January 2011



Commentary

For the month of February the S&P/ASX Small Ordinaries Accumulation Index was up 1.27%, underperforming the broader equities market. Small industrials finished up 0.36%, behind small resources which rose 2.42% over the month. The Australian profit reporting season was the key theme for investors during February. The divergence in performance between resources and industrials highlights the two-speed nature of economy.

In the US, the ISM Index and regional production surveys suggest that economic momentum is building in the current quarter. The unemployment rate also showed improvement, posting a 0.4% decline to 9.0% from 9.4% last month. The price of crude oil rose as unrest in the Middle East spread beyond Egypt, most notably into Libya.

The RBA left the Official Cash Rate unchanged at the February meeting and struck a dovish tone in its policy stance. The NAB Business Conditions Index fell 12pts to -6 in January, largely as a result of the Queensland floods. The Westpac Consumer Confidence Index rose 1.9% to 106.6 in February. The unemployment rate was left unchanged at 5.0%. Retail trade rose by 0.2% in December, against market expectations of a 0.5% rise.

Key contributors

Flexigroup: up 27.89%
Flexigroup outperformed over the month after reporting a 31% increase in the first half of 2011 profit to $25 million, underpinned by strong volume growth across all its businesses. Markets also welcomed the news that Flexigroup was upgrading its full year profit guidance by 8.5% based in part on further growth in Certegy volumes and profits from new product initiatives particularly in the homeowner segment.

Village Roadshow: up 23.15%
Village Roadshow was up for the month after announcing that the Austereo takeover was likely to be completed before the end of the 2011 financial year generating net proceeds of approximately $362 - 380 million pre-tax, depending on the final acquisition price.

Cash Converters: up 18.24%
Cash Converters outperformed in February after they announced an increased first half year (of 2011) profit by 42%, driven by increases in its personal loans income, corporate store revenues and financial services administration fees. Cash Converters also said that it expects continued growth in the second half of the year from its personal loan books in Australia and the UK.

Key detractors

Kathmandu: down 8.26%
Kathmandu's shares fell after the retailer announced that the earthquake in Christchurch had caused some damage to its Christchurch-based head office and New Zealand distribution centre. While management said that it did not consider the direct impact on trading to be significant, the market is concerned that the earthquake will weaken the New Zealand economy.

Atlas Iron: (Not held, index weight 2.48%)
Atlas Iron was up for the month after reporting a maiden first half 2011 profit of $30 million and said that the financial performance for the second half of the year was expected to be significantly stronger on the back of increased sales volumes, higher iron ore prices and reduced operating costs, relative to the first half.

CSG: down 15.19%
CSG's shares were down despite announcing that it had grown its first half of 2011 profit by 53% to $18.8 million, as a recent New Zealand acquisition began to pay off. However, the market was disappointed by the lacklustre performance of the Australian IT services and print divisions which had both experienced substantial contract turnover.
Henderson shares rose sharply in January after the fund manager announced that it had agreed to buy rival fund manager Gartmore Group to expand its consumer and emerging-market fund businesses.