

NovaPort Smaller Companies Fund

Monthly fund report and commentary – July 2012

Performance ²						
	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
NovaPort Smaller Companies Fund¹	2.70	-2.01	3.75	12.90	1.41	13.59
Growth return	2.70	-2.01	0.48	10.70	-4.21	2.23
Distribution return	0.00	0.00	3.26	2.19	5.62	11.36
S&P/ASX Small Ordinaries Accumulation Index	-0.19	-14.67	-15.94	0.39	-8.73	6.79
Active return	2.88	12.66	19.69	12.50	10.14	6.80
NovaPort Wholesale Smaller Companies Fund	2.62	-3.41	3.10	13.46	2.14	14.97
Growth return	2.62	-3.41	-0.03	11.02	-2.56	3.61
Distribution return	0.00	0.00	3.13	2.44	4.69	11.36
S&P/ASX Small Ordinaries Accumulation Index	-0.19	-14.67	-15.94	0.39	-8.73	7.52
Active return	2.80	11.26	19.05	13.06	10.87	7.45
NovaPort Premier Smaller Companies Fund	2.78	-2.01	4.82	14.08	2.48	17.61
Growth return	2.78	-2.01	0.62	11.04	-4.90	3.22
Distribution return	0.00	0.00	4.19	3.04	7.37	14.39
S&P/ASX Small Ordinaries Accumulation Index	-0.19	-14.67	-15.94	0.39	-8.73	4.99
Active return	2.97	12.67	20.76	13.68	11.21	12.62

Past performance is not a reliable indicator of future performance.

¹ The Fund is closed to new investments including initial and additional applications.

² 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.

Responsible entity

Fidante Partners Limited

Investment manager

NovaPort Capital Pty Limited

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

	As at 31 July	Range (%)
Securities	95.49	80-100
Cash	4.51	0-20

Top five active positions as at 31 July

	Fund weight (%)	Index weight (%)	Active weight (%)
Austbrokers Holdings Ltd	4.78	0.00	4.78
Flexigroup Ltd	5.11	0.70	4.40
Technology One Limited	4.01	0.00	4.01
Cash Converters International	3.96	0.24	3.73
Sirtex Medical Limited	3.59	0.00	3.59

Fund facts

	NovaPort Smaller Companies Fund ¹	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size (\$M)	17.21	35.60	2.47
APIR code	HOW0017AU	HOW0016AU	HOW0018AU

Fees

	NovaPort Smaller Companies Fund ¹	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. ²	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. ³ This is capped at 2.00% p.a.	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%

¹ The Fund is closed to new investments including initial and additional applications.

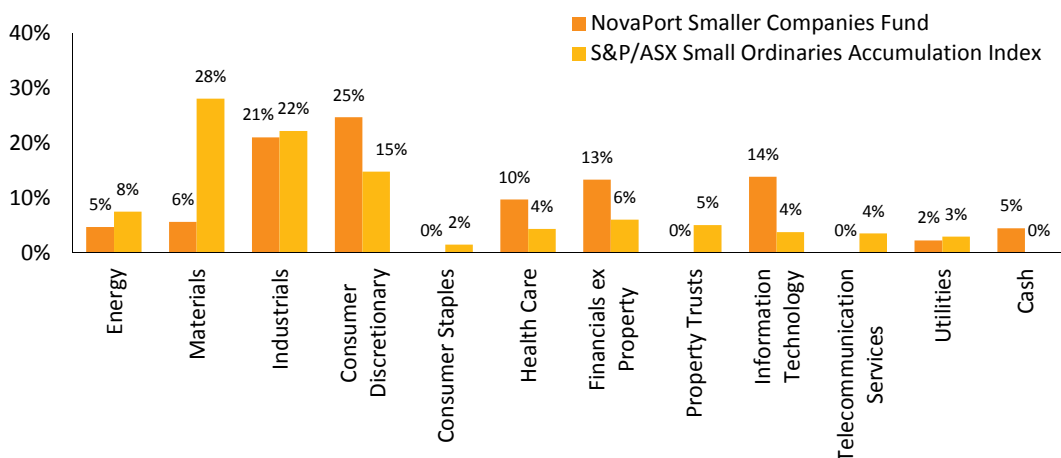
² Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee reduced to 0.90% p.a.

³ The performance fee was introduced from 1 October 2011.

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Sector exposure as at 31 July 2012



Commentary

The S&P/ASX Australian Small Ordinaries Index retreated 0.19% during July, underperforming the ASX300 Index which gained 4.28%.

Investors chased safety, pushing up high yielding defensive sectors such as Telecommunications and Utilities. The worst performing sector was Resources which continues to suffer amidst global growth fears and softer growth in China. However global markets rallied with positive returns from the MSCI World and S&P500 indices, in addition to gains in all major European markets following comments from the European Central Bank (ECB) president.

The Reserve Bank of Australia (RBA) board left the cash rate on hold in July given that inflation remained within the targeted range. However the Board acknowledged that the international outlook remained subdued. China's second quarter GDP dropped to 7.6% whilst, amid further weakening in Europe, the UK entered a double dip recession.

Key contributors

Flexigroup: up 17.59%

Flexigroup provide point of sale lease and rental finance for the IT equipment, electrical appliance and other retail markets. Flexigroup continues to post strong volume growth despite a weak retail environment, driven by its diversification into newer sectors and online deferred payment processing. The company recently announced the acquisition of Lombard Finance, broadening its exposure to significant new retailers and markets. The stock joined the S&P/ASX 200 during the month.

Kathmandu: up 20.00%

Kathmandu's stock price performed strongly over the month despite no material announcements. However, July trading activity is very important for the company given it falls within one of its crucial sales periods. Anecdotally, colder weather this year (positive for sales), as well as carbon tax related government assistance flowing through to the retail sector has likely lifted sentiment from depressed levels.

Beach Energy: up 17.02%

Beach Energy reversed recent underperformance driven by bullish sentiment towards the LNG market. Substantial unconventional gas discoveries, including those discovered by Beach itself are changing the dynamics of gas markets globally. With a diversified portfolio of producing and exploration assets, we remain confident Beach is well placed to commercialise its substantial resources. The stock rallied after announcing its record full year results which showed sales revenue was up 25% and production up 15%.

Key detractors

Domino's Pizza: down 8.65%

Domino's is a high quality business with strong and growing cash flow, an under-gear balance sheet and a strong medium term growth outlook. The pizza retailer's margins are expected to benefit from an increasing proportion of online sales and new menu items.

Skilled Engineering: down 7.17%

Skilled Engineering was looking bloated and poorly capitalised following an acquisition spree by the previous management team. The new management have streamlined the business and recapitalised the balance sheet. At its core, Skilled Engineering has a leading position in supplementary hire for skilled blue collar labour. The company is attractively priced and we see potential for further efficiency gains and both organic and acquired growth.

Saracen Mineral Holdings: down 13.51%

Saracen Mineral Holdings, a gold producer, released a solid quarterly activities report. However the stock price came under pressure as the market digested a modest lift in projected production and rising cost pressures across in WA operations.

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