

NovaPort Smaller Companies Fund

Monthly fund report and commentary – May 2013

Performance ²						
	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
NovaPort Smaller Companies Fund¹	-1.19	0.19	34.74	15.16	8.79	15.39
Growth return	-1.19	0.17	32.83	12.59	3.53	4.57
Distribution return	0.00	0.01	1.91	2.56	5.26	10.83
S&P/ASX Small Ordinaries Accumulation Index	-3.82	-11.34	-2.91	-0.81	-6.52	6.46
Active return	2.63	11.53	37.64	15.97	15.31	8.93
NovaPort Wholesale Smaller Companies Fund	-1.26	-0.03	32.96	15.10	9.21	16.65
Growth return	-1.26	-0.30	30.17	12.22	4.89	5.78
Distribution return	0.00	0.27	2.79	2.88	4.32	10.87
S&P/ASX Small Ordinaries Accumulation Index	-3.82	-11.34	-2.91	-0.81	-6.52	7.12
Active return	2.56	11.31	35.87	15.91	15.73	9.53

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 May 2013

		Range (%)
Securities	91.80	80-100
Cash	8.20	0-20

Top five active positions as at 31 May 2013

	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	5.01	0.00	5.01
Kathmandu Holdings Ltd	4.84	0.53	4.31
Austbrokers Holdings Ltd	4.31	0.00	4.31
Sirtex Medical Limited	4.18	0.58	3.60
Village Roadshow Limited	3.55	0.00	3.55

Fund facts

	NovaPort Smaller Companies Fund ¹	NovaPort Wholesale Smaller Companies Fund
Inception date	13/09/2002	31/12/2002
Fund size (\$M)	19.79	53.93
APIR code	HOW0017AU	HOW0016AU

Fees

	NovaPort Smaller Companies Fund ¹	NovaPort Wholesale Smaller Companies Fund
Entry fee	Up to 4%	Nil
2011/2012 ICR	2.00%	2.39%
Management fee	2.00% p.a.	0.90% p.a. ²
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.
Buy/sell spread	+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 November 2011, the management fee reduced to 0.90% p.a.

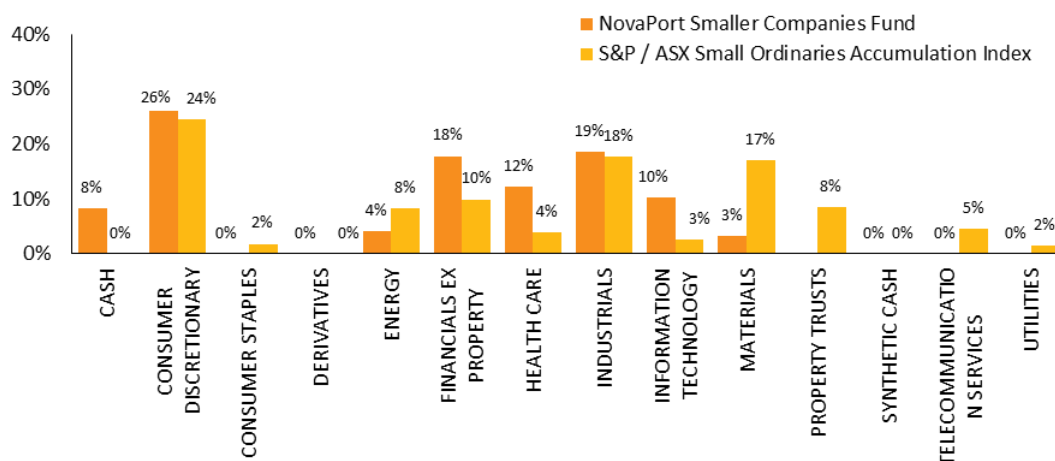
³ The performance fee was introduced from 1 November 2011.



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Sector exposure as at 31 May 2013



Commentary

The S&P/ASX Australian Small Ordinaries Accumulation Index declined 3.82% over May. The NovaPort Premier Smaller Companies Fund declined 1.02% over the same period, (outperforming the benchmark by 2.8%). May was another month which saw resources stocks (-5.4%) underperform industrials (-3.4%). After peaking in early May (post a rise which began in July last year), the industrials sector has lost momentum on the back of still weak business related investment spend (IT, media) as well as mild at best commentary regarding housing activity and consumer confidence levels. We still expect business, consumer and housing activity levels to respond at some stage to lower interest rates (with the most recent 25bps cut in May) and a weaker Australian dollar which declined nearly 8% over the month, however, recent earnings downgrades are beginning to impact sentiment.

While downgrades this time of the year are not unusual as companies recalibrate earnings expectations as the financial year draws to a close, the industrials sector is trading on elevated multiples and to that extent some weakness (including some profit taking) is not entirely unexpected. Meanwhile, resource stocks continue to adjust to a new landscape which sees commodity prices no longer expected to benefit from aggressive QE driven liquidity as the dreaded "tapering" phase draws closer. Importantly, China demand is still solid but certainly not coming in above consensus removing another commodity price driver. More subdued demand for bulks and base metals combined with elevated mining costs has led to the deferral of a range of projects as the miners seek to preserve cash and operate within debt covenants.

Key contributors

Kathmandu Holdings Ltd (Portfolio return: 25.00%)

Kathmandu's price appreciated 25% over the month largely on the back of a positive trading update released on 1 May. The company's shares have benefited from renewed investor focus on cyclical exposures that stand to benefit from improved consumer sentiment following interest rates cuts implemented over the last 18 months.

Fisher & Paykel Healthcare Corporation Limited (Portfolio return: 18.64%)

Fisher and Paykel Healthcare reported its earnings during May. Pleasingly the results were ahead of market expectations and the company also expects strong revenue growth and margin expansion to continue in the next year. Growth is being driven by product enhancements (updated masks, improved flow generators) as well as introducing its humidification and consumable products into new treatments areas.

Sirtex Medical Limited (Portfolio return: 18.56%)

Sirtex' share price had consolidated following a strong run in the previous year, more recently the share price has recovered. The company updated the market on its progress in key clinical trials, highlighting the meaningful sales expansion opportunity should level one clinical data confirm the existing evidence of SIR-spheres' efficacy. Recent declines in the Australian dollar will also improve profitability.

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Key detractors

Cash Converters International Limited (Portfolio return: -20.57%)

There was no news from the company over the month. However, there was some media from the UK highlighting concern by the government regarding the aggressive tactics used by some cash advance and pay day lenders which may have contributed to some of the weakness. We note Cash Converters business practises and processes were not mentioned and that the company itself acknowledges there is a segment of the sector that should, and will likely face, punitive regulatory measures to address their conduct.

Henderson Group PLC (Not held. Index return: 13.46%)

Not held by the fund.

Karoon Gas Australia Ltd (Not held. Index return: 35.89%)

Not held by the fund.

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 234668) the issuer of the NovaPort Smaller Companies Fund (ARSN 094 601 475) (**Fund**). NovaPort Capital Pty Limited (ABN 88 140 833 656, AFSL 385329) 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 Capital, 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.