

NovaPort Wholesale Microcap Fund

Quarterly report - December 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	4.00	4.90	5.88	6.55	9.10	9.30
Growth return	3.26	3.36	4.96	5.39	3.68	4.25
Distribution return	0.74	1.54	0.93	1.16	5.42	5.05
S&P/ASX Small Ordinaries Accumulation Index	11.32	10.16	1.69	-2.51	1.43	2.41
Active return [^]	-7.33	-5.26	4.20	9.06	7.67	6.89

Past performance is not a reliable indicator of future performance.

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.

[^] Numbers may not add due to rounding

Investment objective

The Fund aims to outperform its benchmark over rolling seven-year periods through the investment in a diversified portfolio of micro-cap Australian companies.

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 seven years

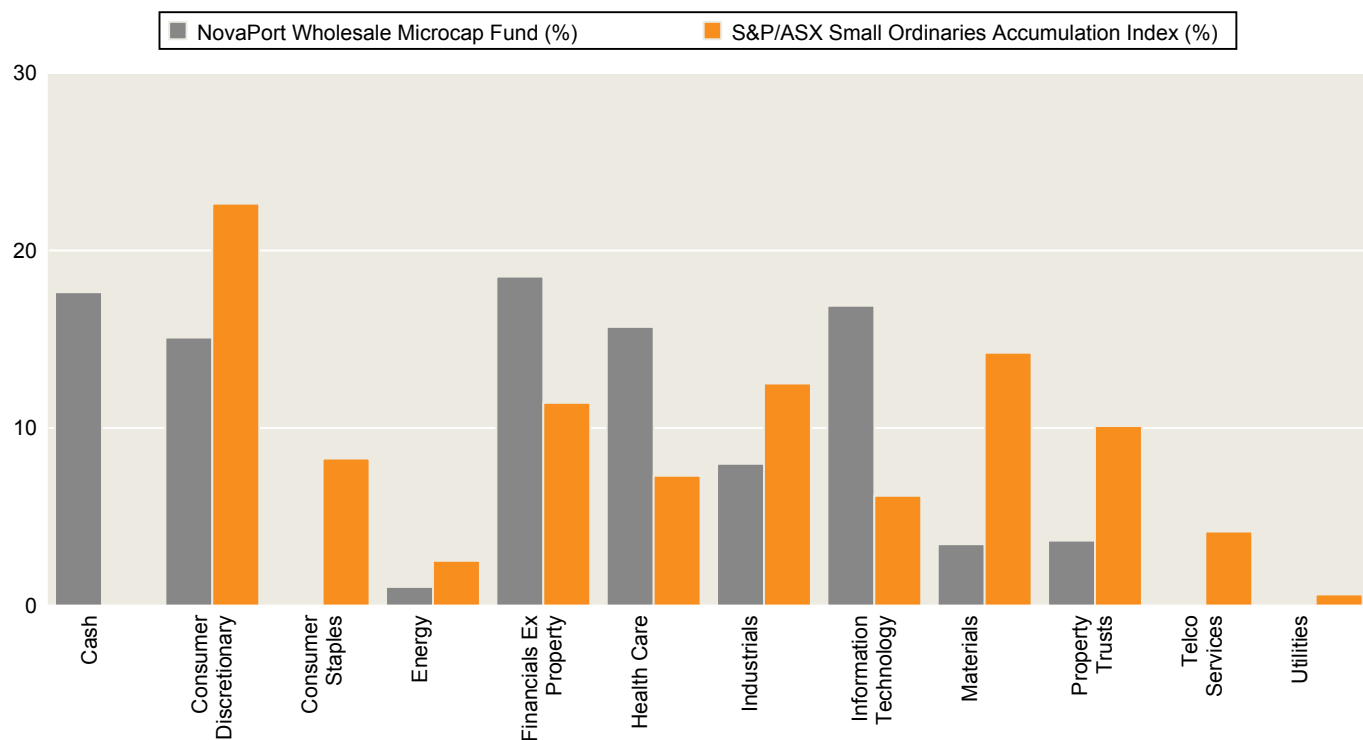
Asset allocation	As at 31 December 2015 (%)	Range (%)
Security	82.35	60-100
Cash	17.65	0-40

Top 5 active positions as at 31 December 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Medical Developments International Limited	5.85	0.00	5.85
Fiducian Group Ltd	5.20	0.00	5.20
Somnomed Limited	4.64	0.00	4.64
360 Capital Group	3.66	0.00	3.66
Folkestone Ltd	3.53	0.00	3.53

Fund facts	
Inception date	22 March 2005
Fund size	\$35.2M
APIR code	HOW0027AU

Fees	
Entry fee	Nil
2014-2015 ICR	2.26%
Management fee	1.50%
Performance fee	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).
Buy/sell spread	+0.30% / -0.30%

Sector exposure as at 31 December 2015



Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished 2015 strongly, up 11.32% over the December quarter, making it easily the best quarterly performance in over two years.

Part of the reason for such a strong performance was the material positive contribution by both the industrial and resources sectors. Recent experience has shown divergent returns between these two sectors which has impeded strong returns at the aggregate level. Small industrials were up 11.92% over the last three months of the year while resources were up 7.18%.

Global news flow was dominated by commentary and conjecture regarding the US Federal Reserve's first increase in interest rates as unprecedented monetary stimulus in place since 2008 in the form of ultra low interest rates is unwound. The performance of major stock indices around the world over December would suggest investors adopted a sanguine perspective (when the rate increase was confirmed) taking the view an increase in US rates reflects an economy that is finally on a sustainable path to growth and no longer in need of emergency stimulus.

In Australia, the Reserve Bank of Australia (RBA) continues to hold rates steady as evidence, while not overwhelming, reflects an economy that is slowly making the transition from being overly reliant on the resources sector for growth. Income growth remains weak, however low unemployment, buoyant house prices, low interest rates and petrol prices as well as a weaker Australian dollar continue to act as supportive drivers of an economy that is still growing, albeit slowly.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +11.32% for the quarter. The Fund underperformed the market and delivered a +4.00% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Clover Corp Ltd	Health Care	2.08	0.82
Fiducian Group Ltd	Financials Ex Property	5.20	0.73
Skydive the Beach Group Ltd	Consumer Discretionary	3.09	0.40

Clover Corp Ltd

The company has continued to expand the breadth of its product offering by focussing on the medical food segment. As part of this, during the quarter Clover entered into a licence agreement to accelerate the development of its DHA emulsion for treatment of



premature babies. The market responded positively to the involvement in the agreement of Dr Brian McNamee (former MD & CEO of CSL Limited).

Fiducian Group Ltd

During the quarter Fiducian continued the expansion of its financial planning business with another earnings accretive acquisition. This comes on the back of strong FUM growth over the course of FY15. The recent update continues to support our view of Fiducian as a conservatively, well managed financial services company.

Skydive the Beach Group Ltd

The market re-rated Skydive the Beach over the quarter with investors taking a positive view of its acquisition of New Zealand operator, Skydive Queenstown – the sole operator in that region. The acquisition is earnings accretive and strategically valuable as a diversifier for the group which until now has been a provider of tandem jump services to the Australian market only. We would also note Skydive is a beneficiary of a weaker Australian dollar boosting inbound tourism.

Key detractors

Security name	Sector	Active weight %	Value added %
Royal Wolf Holdings Ltd	Industrials	1.76	-1.31
Godfreys Group Limited	Consumer Discretionary	1.52	-1.29
Data No.3 Limited	Information Technology	3.46	-0.82

Royal Wolf Holdings Ltd

Royal Wolf's share price was already under pressure given its earnings exposure to the resources sector capex cycle when in late December the company announced its major client Titan Energy Services had been placed into voluntary administration. The loss of rental income due to Titan's collapse prompted material downgrades to earnings for the current financial year.

Godfreys Group Limited

At its recent Annual General Meeting, Godfreys announced a weaker trading result for the year to date. The company cited a competitive market with some volatility in currency as headwinds, factors which it anticipated to normalise into the second half of the financial year. At the time the company expected its 2016 earnings to be flat on the previous year. The share price fell on this earnings downgrade.

Data No.3 Limited

After posting a strong financial year result in August, the company disappointed at the AGM with comments that industry conditions remain competitive which has seen profit margins under pressure. To what extent some client delays has seen revenue opportunities slip into the December quarter remains to be seen. However, industry news flow suggests the outlook for IT spend over the medium term remains positive after some lean years.

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