

# NovaPort Wholesale Smaller Companies Fund

Monthly report - April 2014

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	0.56	4.14	17.12	14.29	21.82	13.68	16.96
Growth return	0.56	4.01	15.40	11.59	19.06	2.78	6.77
Distribution return	-	0.13	1.72	2.71	2.76	10.89	10.19
S&P/ASX Small Ordinaries Accumulation Index	-1.24	2.46	2.06	-4.89	5.78	4.88	7.09
Active return <sup>^</sup>	1.80	1.68	15.06	19.18	16.05	8.79	9.87

**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.

<sup>^</sup> 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	As at 30 April 2014 (%)	Range (%)
Security	91.49	80-100
Cash	8.51	0-20

Top 5 active positions as at 30 April 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	3.94	0.00	3.94
SFG Australia Ltd	3.22	0.00	3.22
Sirtex Medical Limited	3.97	0.79	3.18
Technology One Limited	2.98	0.00	2.98
Kathmandu Holdings Ltd	3.48	0.62	2.86

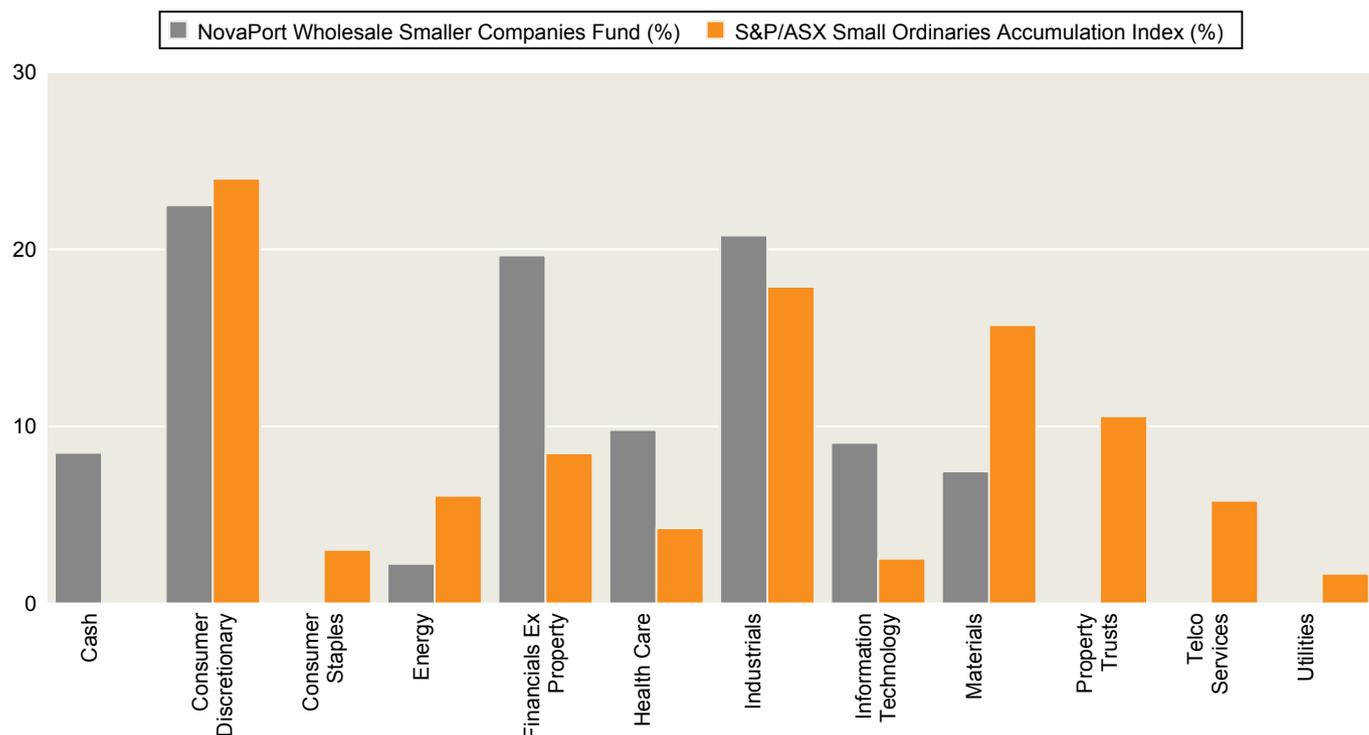
Fund facts	
Inception date	31 December 2002
Fund size	\$90.3M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
Management fee*	0.90% p.a.
Performance fee <sup>^</sup>	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	+0.40% / -0.40%

\* 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.

<sup>^</sup> The performance fee was introduced from 1 October 2011

## Sector exposure as at 30 April 2014



### Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished April down 1.2% following a similar fall over the prior month. The decline was across Industrials and Resources with both sub indices down by almost the same percentage. While earnings forecasts for the remainder of the current financial year and FY15 held steady, May and June are traditionally the pre reporting season "confession" months and so will be watched carefully. Economic news flow also remains relatively steady with early signs of an economic recovery (especially in housing) which should benefit industrial cyclicals over the remainder of the year. The potential impact of federal government belt tightening on both consumer and business sentiment will be a short term focus for investors. While the resource sector was down, industrial metals prices were up for the month with the Nickel price the stand out, up 16% in April.

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -1.24% for April. The fund outperformed the market and delivered a +0.56% return over April.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
Horizon Oil NI	Energy	1.84	0.38
Western Areas Limited	Materials	2.03	0.37
Technology One Limited	Information Technology	2.98	0.34

#### Horizon Oil NI

After a long wait Horizon Oil is now in the final stages of securing regulatory approval for its PNG Liquids project which once finalised will satisfy the conditions for the part sale of this project to Osaka Gas. Its Chinese oil field is generating strong cash flows and its New Zealand oil field will soon resume production. The market seems mostly supportive of a recently announced merger with Roc Oil, the rationale of which is to provide the group with greater scale and a better balance of production and growth opportunities.

#### Western Areas Limited

Western Area's share price has recovered from a strongly oversold position. Low nickel prices, combined with the retirement of its Chairman saw the share price fall to multi year lows. Since then the company has recapitalised its balance sheet and seen some improved nickel pricing. Operationally its high quality two nickel operations have continued to produce volumes and grades safely, and in line with expectations.



## Technology One Limited

As a September year end company, there was no recent earnings news flow that would account for the recent price strength. However, Technology One continues to attract investor support with prior years investment in new products geared towards cloud based infrastructure and mobile enabled devices starting to gain traction in the market place.

## Key detractors

Security name	Sector	Active weight %	Value added %
Peet Ltd	Financials Ex Property	2.73	-0.23
Fisher & Paykel Healthcare Corporation Limited	Health Care	3.94	-0.21
Kathmandu Holdings Ltd	Consumer Discretionary	2.86	-0.19

### Peet Ltd

Share price weakness on little news flow. Remains a preferred exposure to the improving outlook for new housing demand (and therefore pricing for home and land packages) as low interest rates and signs of stabilisation in the employment market begin to have a positive effect.

### Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel's share price consolidated following a strong run over the previous year. The company has been successful in marketing new products and generating margin growth via manufacturing efficiencies. Management have a track record of establishing new markets for its core respiratory ventilation and humidification technologies and an ongoing pipeline of further opportunities

### Kathmandu Holdings Ltd

While Kathmandu was down for the month, it's worth noting the decline was from a historic high achieved at the end of the prior month. This would suggest some profit taking as a material factor in the decline. Remains one of our key picks in the retail sector.

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