

NovaPort Wholesale Smaller Companies Fund

Quarterly report - December 2013

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	1.26	25.07	17.33	23.56	14.30	17.21
Growth return	0.03	23.05	14.59	20.46	3.33	6.71
Distribution return	1.23	2.02	2.73	3.10	10.97	10.50
S&P/ASX Small Ordinaries Accumulation Index	-0.15	-0.76	-5.98	8.14	5.12	7.34
Active return [^]	1.41	25.84	23.31	15.42	9.18	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.

[^] 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 31 December 2013 (%)	Range (%)
Security	91.36	80-100
Cash	8.64	0-20

Top 5 active positions as at 31 December 2013	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.12	0.00	4.12
Austbrokers Holdings Ltd	3.84	0.00	3.84
SFG Australia Ltd	3.45	0.00	3.45
Village Roadshow Limited	3.90	0.58	3.31
Technology One Limited	3.29	0.00	3.29

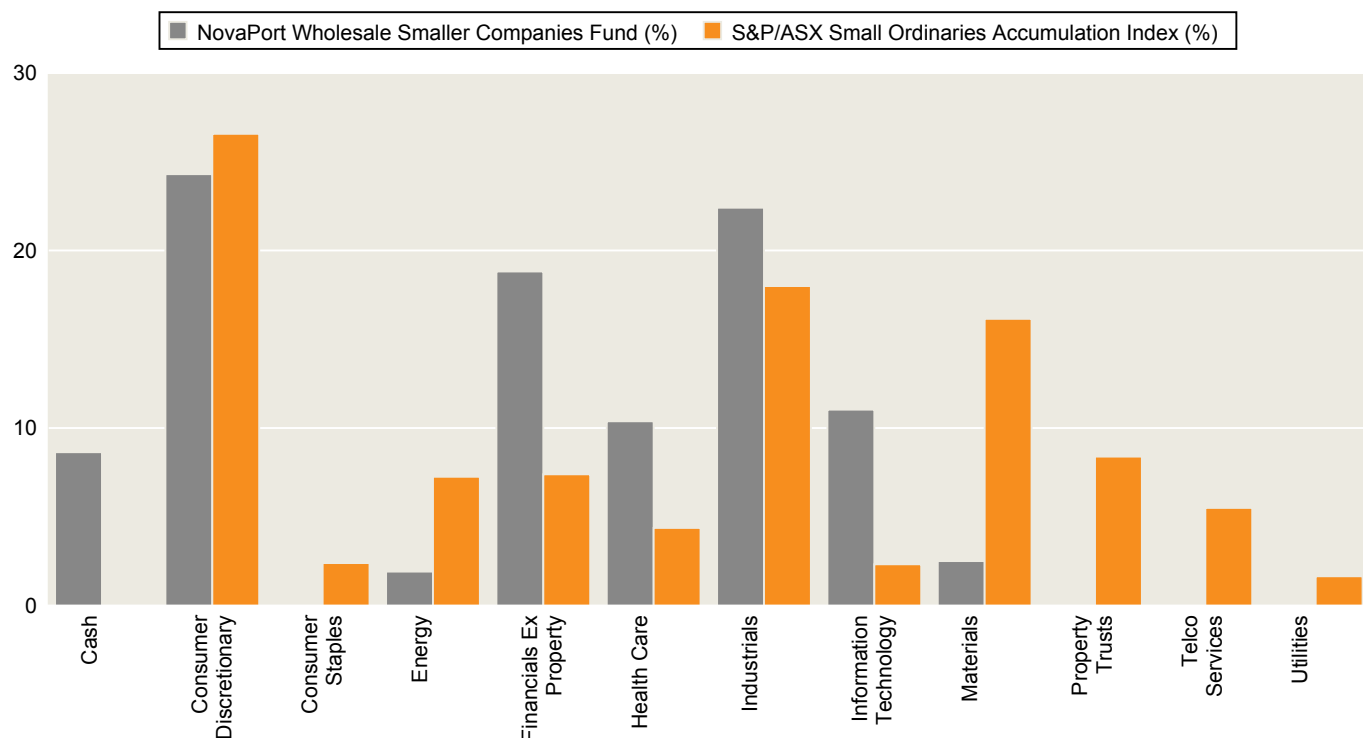
Fund facts	
Inception date	31 December 2002
Fund size	\$76.1M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
Management fee*	0.90% p.a.
Performance fee [^]	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index plus 0.90% p.a. This 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.

[^] The performance fee was introduced from 1 October 2011

Sector exposure as at 31 December 2013



Market overview

The Small Ordinaries Accumulation Index finished the quarter with a 0.15% decline with November's 5.23% drop causing the most damage. Locally, AGM commentaries were the main focus for the quarter with QE tapering by the Federal Reserve in the US dominating international news flow. Overall, while companies in Australia are yet to see earnings improve post the election as well as multiple interest rate cuts, there does seem to be some consensus emerging that the 12 month outlook is looking brighter compared to that of recent years. Strong housing approval numbers and indications of a solid Christmas trading period for retailers are two examples that support this view. Meanwhile, for now at least, financial markets seem to have settled on the view QE tapering (confirmed in December) is a positive in that the Fed believes improvements in the US economy justify a reduction in stimulus as activity gains momentum.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.15% for the quarter. The fund outperformed the market and delivered a +1.26% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Village Roadshow Limited	Consumer Discretionary	3.31	0.64
Kathmandu Holdings Ltd	Consumer Discretionary	3.07	0.63
Fisher & Paykel Healthcare Corporation Limited	Health Care	4.12	0.45

Village Roadshow Limited

As a leisure and entertainment focused company, Village Roadshow's price has appreciated in line with a number of consumer discretionary exposures. The sector overall should benefit from increased consumer confidence and therefore discretionary spending as we move into 2014. In addition, positive news flow regarding ramp up and opening patronage data at the new Wet 'n' Wild theme park in Western Sydney has added to momentum.

Kathmandu Holdings Ltd

Kathmandu was a strong performer over the December quarter beginning with the release of a strong FY13 result in September. An increasing number of investors are finding appeal in its vertically integrated business model, store rollout profile, brand ownership (which mitigates online competition) and exposure to the higher growth travel and adventure segments of the retail sector. In



addition, Kathmandu stands to benefit from any improvement in conditions as factors like lower interest rates, improving housing, equities markets and material decline in political uncertainty (post the election) add to consumer confidence.

Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel reported its first half earnings to the market in late November 2013. The results confirmed the strong earnings progress, which has driven volumes associated with new products and margins accruing from manufacturing efficiencies.

Key detractors

Security name	Sector	Active weight %	Value added %
Cash Converters International Limited	Consumer Discretionary	1.91	-0.71
Sirtex Medical Limited	Health Care	2.95	-0.43
SAI Global Limited	Industrials	2.47	-0.32

Cash Converters International Limited

Overall a poor quarter for Cash Converters beginning with an announcement in October that it would be defending a potential lawsuit in New South Wales relating to its micro lending practises in that state prior to the implementation of the new legislative regime on 1 July 2013.

The company stated the proposed action is based on a flawed proposition and will be defended. This was followed by an earnings downgrade announcement three weeks later with CCV reporting subdued trading conditions as the company and its customers transition to the new regulatory regime. Issues associated with the second announcement should unwind over time.

Sirtex Medical Limited

Sirtex reported a slower growth in dose sales for the quarter, partly a result of a strong comparable quarter in the previous year. The company continues to progress in key clinical trials, highlighting the meaningful sales expansion opportunity should level one clinical data confirm the existing evidence of SIR-spheres' efficacy.

SAI Global Limited

SAI's share price declined in December following the company's announcement detailing the replacement for outgoing CEO Tony Scotton.

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