

# NovaPort Wholesale Smaller Companies Fund

Quarterly report - December 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-1.15	4.48	19.30	11.67	11.20	16.09
Growth return	-2.05	0.99	16.06	8.80	0.45	6.22
Distribution return	0.90	3.49	3.24	2.87	10.75	9.87
S&P/ASX Small Ordinaries Accumulation Index	-3.89	-3.81	0.58	-2.01	2.27	6.36
Active return <sup>^</sup>	2.74	8.29	18.72	13.68	8.93	9.73

**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 31 December 2014 (%)	Range (%)
Security	86.61	80-100
Cash	13.39	0-20

Top 5 active positions as at 31 December 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	5.74	0.00	5.74
CSR Limited	3.54	0.00	3.54
Technology One Limited	3.78	0.61	3.16
Sirtex Medical Limited	4.47	1.48	2.99
Austbrokers Holdings Ltd	2.77	0.00	2.77

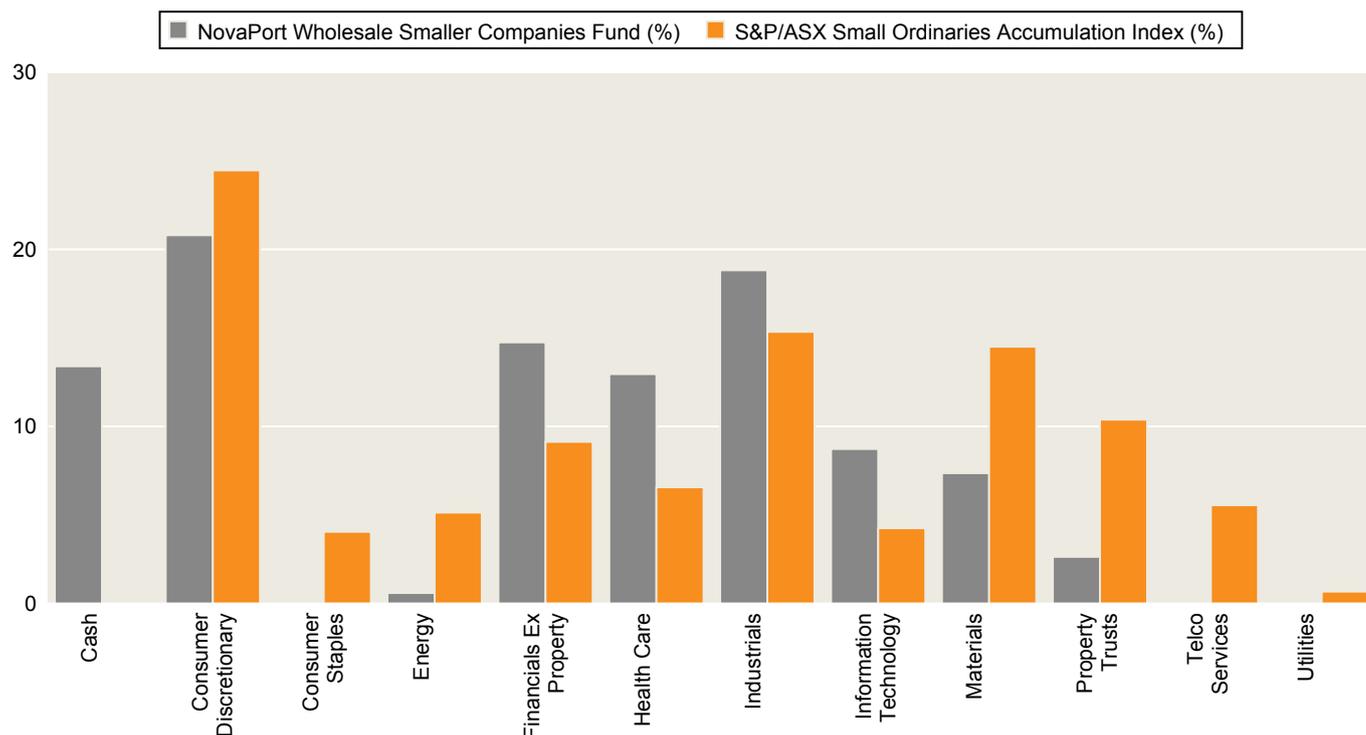
Fund facts	
Inception date	31 December 2002
Fund size	\$140.0M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2013-2014 ICR	2.59%
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	+0.30% / -0.30%

\* 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 31 December 2014



### Market overview

Despite a positive month in December (+0.5%) the S&P/ASX Small Ordinaries Accumulation Index was unable to recover from negative returns for the prior two months finishing the quarter down 3.9%. The Resources segment continued its downtrend with the accumulation Index down 21.6% for the quarter (reflecting lower demand for underlying commodities) marking three negative quarters out of four for 2014. The Industrials sector fared somewhat better, up 0.3% for the quarter. The AGM season was largely uneventful with company management flagging still difficult conditions across a number of sectors including resources and related services companies, retail, media and businesses services in general. Subdued AGM commentary was underlined by retailers issuing downgrades in the lead up to year end. Buoyant levels of housing related activity remains the one bright light amongst key drivers of the economy. Macro factors driving markets included a significant 41.2% decline in the oil price, by far the worst quarterly decline since the 55.7% decline posted for the December quarter in 2008. While the market acknowledges a weaker A\$ and lower oil prices are good for the economy, the precipitous decline of the latter has raised levels of volatility to the extent such a decline reflects parts of the global economy (largely ex US) potentially succumbing to deflationary forces – clearly a negative outcome for highly indebted sovereigns as well as those seeking to reign in deficits.

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.89% for the quarter. The fund outperformed the market and delivered a -1.15% return over the quarter.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
Fisher & Paykel Healthcare Corporation Limited	Health Care	5.74	1.34
Sirtex Medical Limited	Health Care	2.99	0.95
CSR Limited	Industrials	3.54	0.74

#### Fisher & Paykel Healthcare Corporation Limited

Fisher and Paykel's share price continued to benefit from a pleasing earnings result for the half year. The company continues to release new and higher margin products as well as lowering its manufacturing cost structure. Specifically, growth initiatives within non-invasive ventilation continue to gain traction in the marketplace and offer considerable revenue opportunities.



## Sirtex Medical Limited

Sirtex is delivering robust growth in sales volumes of its SIR-Spheres liver cancer treatment. The company continues to invest in new studies to support further growth. Results from a significant study are expected to be released during march. The company is also initiating new studies to investigate the application of the technology to treating alternative forms of cancer.

## CSR Limited

CSR and Boral's proposed brickmaking venture passed the scrutiny of the ACCC. The companies expect to release substantial synergies from this combination. CSR's building materials businesses are well placed to benefit from increased residential construction activity in Australia. The company has rationalised its strategy which appears to be driving a greater operational focus. The decline in the Australian currency will also benefit its trade exposed businesses, Aluminium and Glass.

## Key detractors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	2.09	-0.51
Magellan Financial Group Ltd	Financials Ex Property	-1.99	-0.51
Skilled Engineering Limited	Industrials	1.02	-0.41

## Kathmandu Holdings Ltd

The company issued a trading update in late December highlighting a lower than expected level of sales for the Christmas promotion period (albeit with still another week to go before 31 December). The impact of lower than expected level of sales was exacerbated by lower gross margins previously highlighted by management. The key factor driving a weaker sales performance was negative consumer sentiment which has been raised by a number of retailers recently, both listed and unlisted.

## Magellan Financial Group Ltd

Not held by the fund.

## Skilled Engineering Limited

A significant fall in the oil price over the quarter, coupled with a protracted moderation of activity in the minerals sector, has impaired demand for Skilled's services. However the company has a broad and diversified client base which has thus far presented opportunities to offset this weakness. Further to this, Programmed Maintenance Services proposed a merger of equals three days prior to the quarter end. Subsequent to the quarter end Skilled's share price has rallied 50% off its December low of \$1.06 as the market digested the news.

---

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 234 668 (Fidante Partners) the issuer of the NovaPort Wholesale Smaller Companies Fund ARSN 094 601 475 (Fund). NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort) 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](http://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, 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.

