

NovaPort Wholesale Smaller Companies Fund

Monthly report - January 2016

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-4.57	-2.20	1.55	8.61	11.01	10.87	14.86
Growth return	-4.57	-3.37	-6.32	3.96	6.96	0.56	5.21
Distribution return	-	1.17	7.87	4.65	4.04	10.31	9.64
S&P/ASX Small Ordinaries Accumulation Index	-5.11	-1.38	3.59	-1.44	-3.11	0.53	6.18
Active return [^]	0.54	-0.82	-2.04	10.05	14.12	10.34	8.67

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 January 2016 (%)	Range (%)
Security	95.74	80-100
Cash	4.26	0-20

Top 5 active positions as at 31 January 2016	Fund weight (%)	Index weight (%)	Active weight (%)
Flexigroup Ltd	4.91	0.64	4.26
Credit Corp Group	4.56	0.44	4.12
Ebos Group Ltd	4.01	0.00	4.01
Sirtex Medical Limited	3.71	0.00	3.71
Servcorp Limited	3.68	0.00	3.68

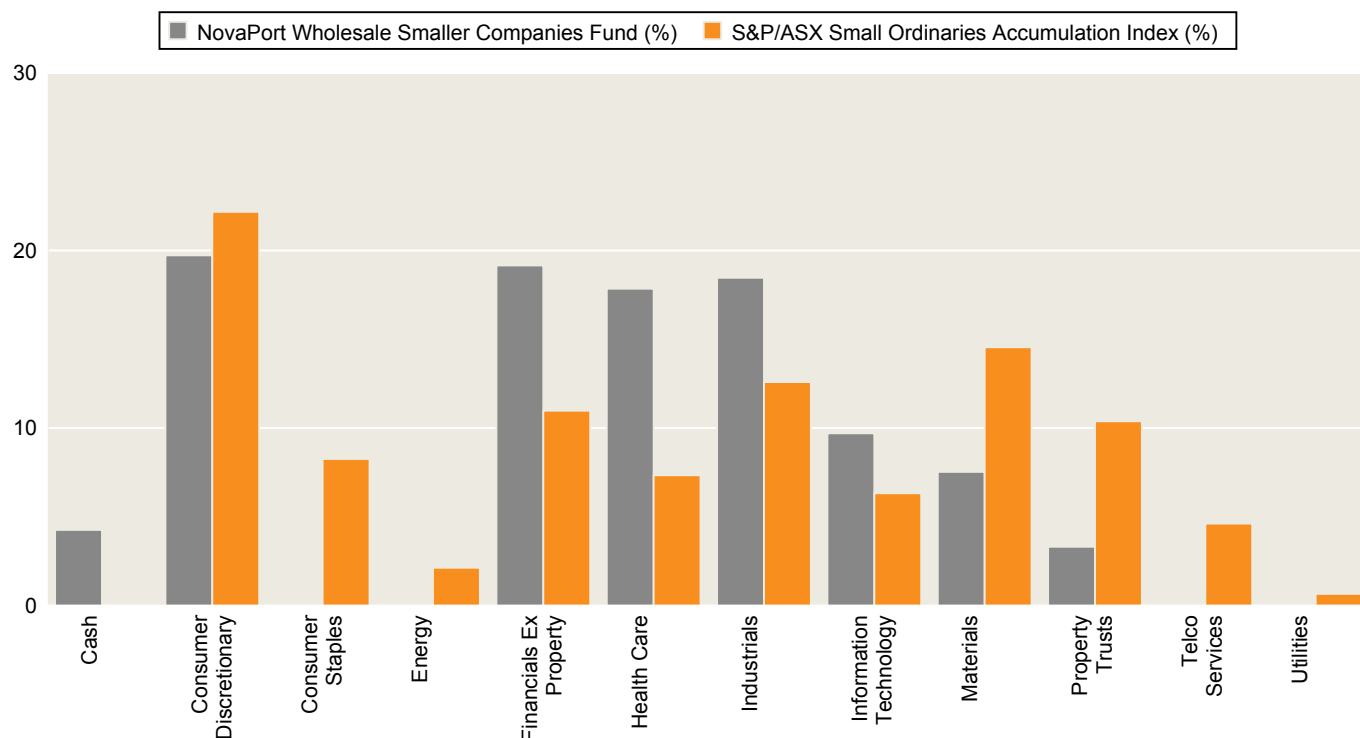
Fund facts	
Inception date	31 December 2002
Fund size	\$190.2M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2014-2015 ICR	1.58%
Management fee*	0.90% p.a.
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). 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.

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

Sector exposure as at 31 January 2016



Market overview

The S&P/ASX Small Ordinaries Accumulation Index started the calendar year poorly with January down 5.11%. Both industrials and resources sectors contributed to the decline with the two segments down 5.18% and 4.59% respectively.

The market was largely driven by macro issues which saw sentiment turn negative after a strong finish to 2015. One of the main drivers of the decline was concern regarding slowing growth in China in the face of high debt levels. Elsewhere, market sentiment turned negative with investors questioning the US Federal Reserve's decision to start the rate increase cycle when its economy may still not be on a strong enough footing to handle higher interest rates. Capital flight from emerging markets and deflationary impact of low oil prices in an already low growth world further exacerbated poor sentiment.

While global macroeconomic issues adversely impacted the local stock market performance over the month, anecdotal evidence continues to suggest the underlying economy is performing better than share prices would suggest. For example, January is normally the time investors look to Christmas trading as both an indicator of listed retailer's financial performance and just as importantly as a guide to general consumer sentiment. On that front, news flow from retailers was that while a weaker Australian dollar increased the cost of goods sourced overseas in US dollars, sales activity levels were generally much better than those of recent years. This would suggest that while the stock market is focussed on the international issues described above local consumer confidence levels are relatively firm given low petrol prices, low interest rates, solid housing prices and strong employment levels.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -5.11% for January. The fund outperformed the market and delivered a -4.57% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Credit Corp Group	Industrials	4.12	0.49
Saracen Mineral Holdings Ltd	Materials	1.49	0.38
Servcorp Limited	Financials Ex Property	3.68	0.34

Credit Corp Group

Credit Corp reported robust earnings for the FY15 year as well as a positive update on the earnings outlook for FY16. Earnings are expected to be driven by sustained debt purchasing volumes as well as improved earnings from its lending business. The company is making sound progress in its US business driven by improved operational efficiency and some signs of what the future regulatory framework might look like.

Saracen Mineral Holdings Ltd

Company operational performance continues to meet or exceed the market's positive expectations. Meanwhile Saracen enjoyed the tailwind of a rising gold price over the month as the commodity rose driven by an increasing sense higher interest rates in the US may not be forthcoming. A rising US dollar gold price has added positive implications for local producers including Saracen given the Australian dollar is currently at much lower levels than in recent years which further boosts profitability.

Servcorp Limited

Servcorp continues to deliver strong earnings growth from its internationally diversified serviced office business. Signs of a turnaround in the loss making US operations have given the market a further sentiment boost. The company has expanded its footprint with new premium space in New York and London and, the early signs are good that it will be able to tenant these spaces promptly.

Key detractors

Security name	Sector	Active weight %	Value added %
Ten Network Holdings Limited	Consumer Discretionary	1.69	-0.54
Western Areas Limited	Materials	2.30	-0.29
M2 Telecommunications Group Ltd	Telecommunication Services	-1.90	-0.25

Ten Network Holdings Limited

Ten's ratings performance continues to improve and the key marketing event for the summer non-ratings period, the "Big Bash" cricket series, generated very strong viewership. The improvement in ratings was confirmed by management in a trading update issued late in the month which highlighted its highest revenue share since June 2012. Nevertheless, the price remains under pressure, along with other free to air media companies, on still weak industry revenue levels and uncertainty on the timing of amendments to media regulations, which in their current form restrict value added merger activity.

Western Areas Limited

Weaker nickel prices continue to undermine Western Areas profitability. The company has high grade mines which continue to be economic despite extraordinarily weak commodity prices, and no debt. Western Areas continues to prospect for new discoveries however, until nickel prices improve it is unlikely to see much recognition for its underlying asset quality or exploration success.

M2 Telecommunications Group Ltd

Not held by the fund.

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