

NovaPort Wholesale Smaller Companies 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	8.08	7.00	11.82	12.55	11.56	15.37
Growth return	6.78	-1.29	7.05	8.45	1.20	5.63
Distribution return	1.29	8.29	4.78	4.10	10.37	9.74
S&P/ASX Small Ordinaries Accumulation Index	11.32	10.16	1.69	-2.51	1.43	6.65
Active return [^]	-3.25	-3.15	10.14	15.06	10.13	8.72

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 2015 (%)	Range (%)
Security	92.05	80-100
Cash	7.95	0-20

Top 5 active positions as at 31 December 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Flexigroup Ltd	4.67	0.65	4.01
Fisher & Paykel Healthcare Corporation Limited	4.50	0.53	3.96
Ebos Group Ltd	3.55	0.00	3.55
Japara Healthcare Ltd	4.13	0.63	3.50
Sirtex Medical Limited	3.50	0.00	3.50

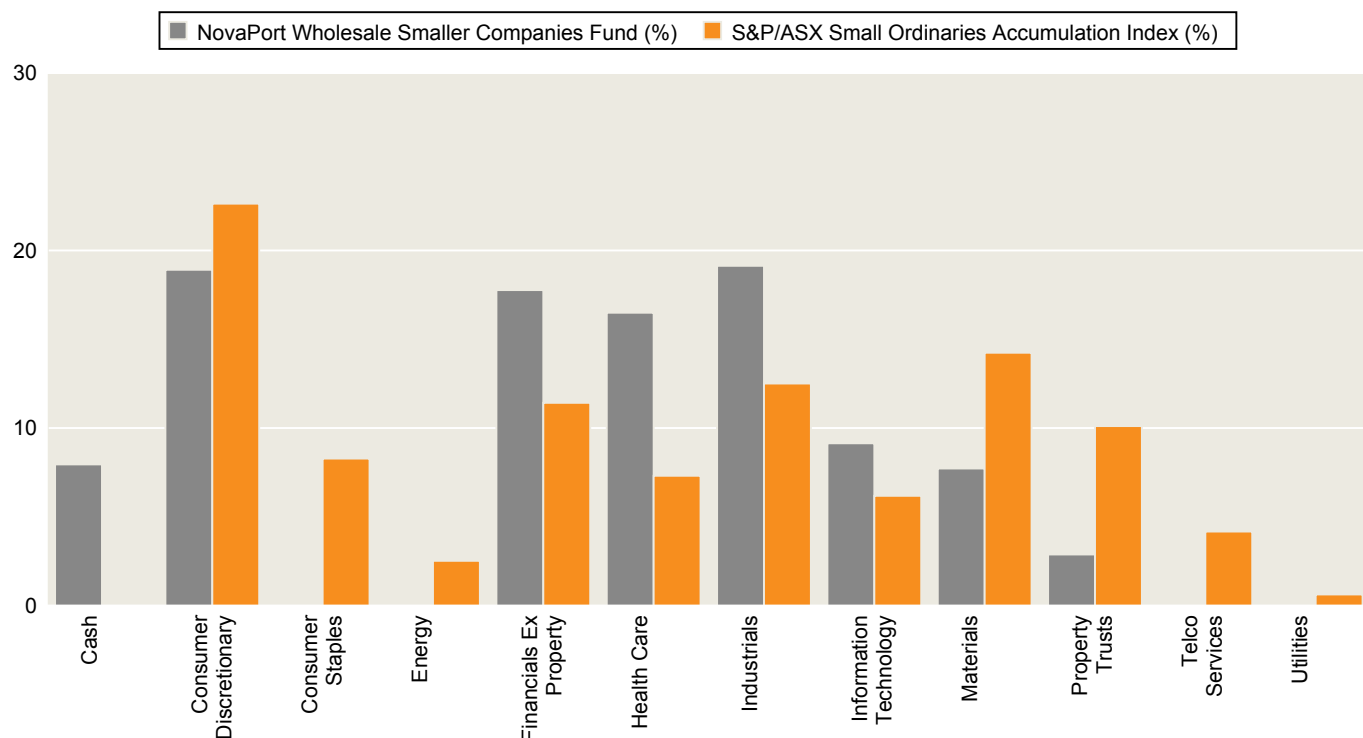
Fund facts	
Inception date	31 December 2002
Fund size	\$199.7M
APIR code	HOW0016AU

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 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 +8.08% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Flexigroup Ltd	Financials Ex Property	4.01	0.68
Fisher & Paykel Healthcare Corporation Limited	Health Care	3.96	0.66
Technology One Limited	Information Technology	1.80	0.35



Flexigroup Ltd

Despite some profit taking following the launch of an entitlement offer to fund the acquisition of Fisher and Paykel's New Zealand consumer finance business, the company's share price was up strongly over the quarter reflecting both a positive view of the acquisition as well as reaffirmation of earnings guidance released at the time of the transaction.

Fisher & Paykel Healthcare Corporation Limited

The company's share price continued to climb following well received investor updates over the previous quarter regarding its strategy and progress in key markets. Fisher & Paykel continues to develop new products to maintain its share in the hospital ventilation and home based OSA markets. It is also gaining strong traction in new markets such as humidified ventilation for patients suffering from COPD as well as the use of humidification of gases used in the surgical theatre.

Technology One Limited

Technology One continues to re-rate with the company continuing to post strong results offering an exposure to a growth company in a low growth economy. In addition the market continues to gain some confidence management are successfully managing the transition from revenue that is heavily reliant on periodic license sales to more annuity type revenue streams.

Key detractors

Security name	Sector	Active weight %	Value added %
GWA Group Ltd	Industrials	2.36	-0.91
SAI Global Limited	Industrials	3.42	-0.72
Blackmores Limited	Consumer Staples	-2.20	-0.60

GWA Group Ltd

While demand conditions are positive and are highly likely to remain so over 2016, the company's price has yet to recover from a disappointing AGM update highlighting the adverse impact of a weaker Australian dollar on cost of imported products and the expected lag in margin recovery through price increases and expansion in product range. The company's share price remains weak despite GWA undertaking a share buyback over the December quarter.

SAI Global Limited

Sentiment remains weak due to uncertainty regarding the pricing outcome of the renegotiation of its publishing agreement with Standards Australia which is due for renewal. Claims and counter claims between the two parties in the meantime adds further uncertainty. Nevertheless, the company continues to rationalise its cost base and refocus its sales efforts following a disruptive and aborted renewal of its delivery platforms. The new management team have strong operational experience within the business and have adopted a realistic and simplified approach to sales, distribution and marketing.

Blackmores Limited

Not held by the fund.

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