

NovaPort Wholesale Smaller Companies Fund

Monthly report - October 2016

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-5.20	2.64	12.69	6.71	13.69	10.67	15.16
Growth return	-5.20	2.28	5.92	0.61	8.59	2.99	5.62
Distribution return	-	0.35	6.77	6.11	5.10	7.69	9.54
S&P/ASX Small Ordinaries Index	-4.72	-4.77	14.90	4.42	2.68	0.27	7.01
Active return [^]	-0.48	7.41	-2.20	2.29	11.00	10.40	8.15

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 October 2016 (%)	Range (%)
Security	91.31	80-100
Cash	8.69	0-20

Top 5 active positions as at 31 October 2016	Fund weight (%)	Index weight (%)	Active weight (%)
Ebos Group Ltd	4.05	0.00	4.05
Credit Corp Group	4.51	0.57	3.94
AUB Group Ltd	3.58	0.00	3.58
Servcorp Limited	3.42	0.00	3.42
SAI Global Limited	4.08	0.67	3.41

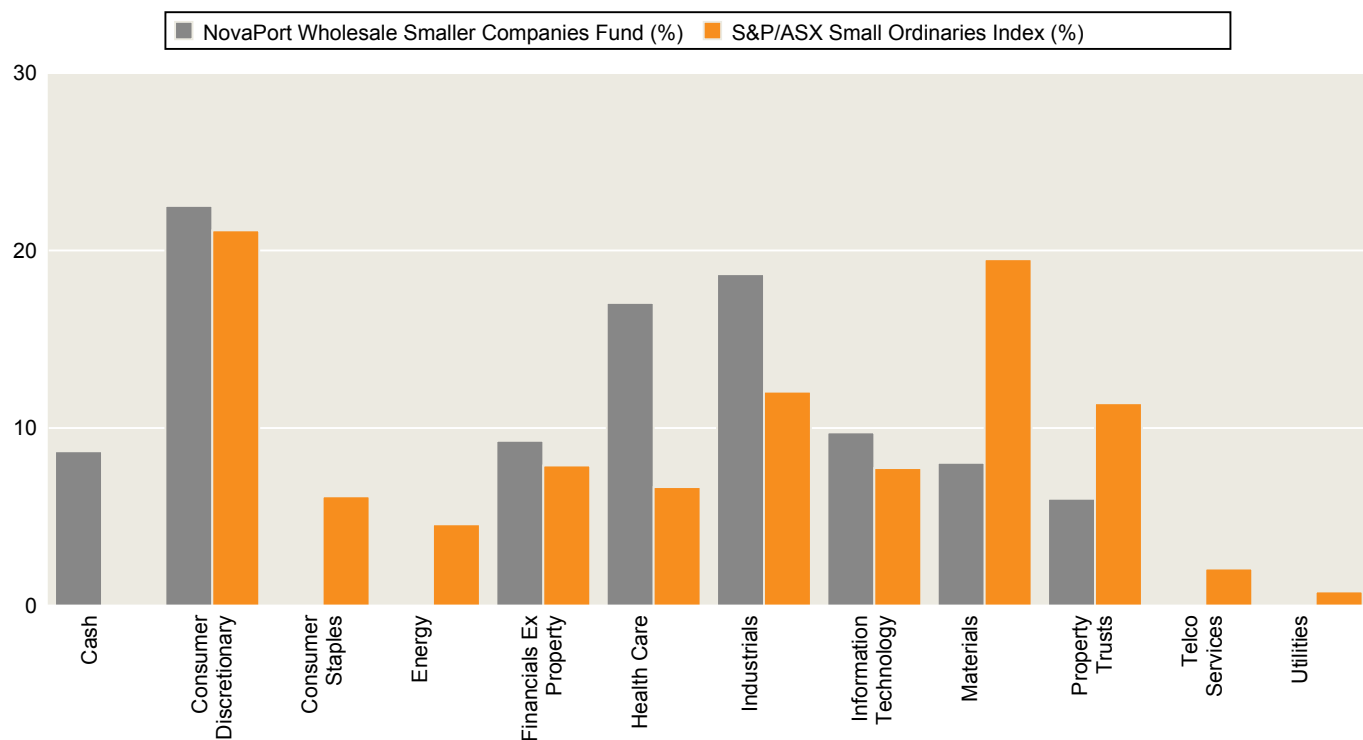
Fund facts	
Inception date	31 December 2002
Fund size	\$220.9M
APIR code	HOW0016AU

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 October 2016



Market overview

After a strong September quarter, the S&P/ASX Small Ordinaries Accumulation Index lost ground during October, falling 4.72%. Despite the fall last month, the benchmark remained in positive territory for the calendar and financial years to date. The benchmark was dragged lower by selling in the Consumer Discretionary, Materials, Information Technology and Property Trust sectors.

Gold stocks generally underperformed during October with a slightly weaker gold price. Gold equities have enjoyed strong investment flows this year which appeared to moderate during October. At the same time positive economic signals from China and the USA saw improved investor interest in other mining equities and related service companies.

The market continued to scrutinise valuations and in particular reassess the premiums it is willing to pay for companies offering earnings momentum / revisions, which has seen many share prices slip. We believe some of this shift in sentiment is a reaction by investors after getting their fingers burnt after several highly rated companies which recently surprised on the downside. We suspect broader market sentiment shifts have also played a role with investors globally grappling with maturing economic cycles and various monetary policy scenarios.

Low interest rates, robust housing investment and stable employment maintain a supportive environment for much of our investment universe. Some companies observed weaker demand in the lead up to the federal election, explainable as a natural reaction to political uncertainty but worth monitoring nonetheless. As usual trading leading into Christmas will provide a test of the health of the consumer and likely set the tone for the first few months of 2017.

Fund performance summary

The S&P/ASX Small Ordinaries Index returned -4.72% for October. The fund underperformed the market and delivered a -5.20% return over October.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Mayne Pharma Group Ltd	Health Care	-1.47	0.23
Cleanaway Waste Management Ltd	Industrials	2.94	0.23
Nanosonic Limited	Health Care	2.71	0.18

Mayne Pharma Group Ltd

Not held by the fund.

Cleanaway Waste Management Ltd

In the face of steady, but not overly buoyant, market conditions Cleanaway delivered positive growth during the period. The result demonstrated a new management, unencumbered by balance sheet constraints, focussing on business and margin improvement. The company also provided further certainty around its ability to deliver previously announced ~\$30m of annualised cost savings. All of these factors helped the market gain comfort with the earnings profile for the company and drove a share price re-rating during the period.

Nanosonic Limited

On the back of a record quarter of sales of its Trophon high level disinfection units, with an especially pleasing result in the all-important US market, Nanosonic generated its maiden profit in FY16. The company's appeal (validated by September's quarterly update) lies primarily in its global opportunity to expand sales materially over the years ahead thereby, building on its already dominant position in Australia.

Key detractors

Security name	Sector	Active weight %	Value added %
APN News & Media Limited	Consumer Discretionary	3.04	-0.38
Ten Network Holdings Limited	Consumer Discretionary	1.10	-0.28
Whitehaven Coal Ltd	Energy	-1.23	-0.27

APN News & Media Limited

APN announced a substantial capital raising to fund the acquisition of the 50% of outdoor advertising group Adshell that it does not already own. It also revealed that advertising markets had been soft during the election period. The company was recently recapitalised and as a result the share price fell as the market absorbs the substantial increase in shares on issue

Ten Network Holdings Limited

Ten's price had appreciated by over 60% since late June, however its shares were sold down on the release of its full year results in October. While very good ratings, market share and revenue growth were well received, comments that growth in content costs for the current year would be higher than expectations and an update stating industry conditions remain subdued was enough to prompt a pullback in the share price.

Whitehaven Coal Ltd

Not held by the fund.

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