

NovaPort Wholesale Smaller Companies Fund

Monthly report - January 2014

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-1.23	-2.37	18.54	15.96	23.76	13.72	16.93
Growth return	-1.23	-3.56	16.62	13.26	20.65	2.81	6.54
Distribution return	-	1.19	1.92	2.70	3.11	10.91	10.39
S&P/ASX Small Ordinaries Accumulation Index	-2.76	-5.49	-7.39	-6.17	8.57	4.82	7.01
Active return [^]	1.52	3.12	25.93	22.13	15.19	8.90	9.92

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 2014 (%)	Range (%)
Security	92.11	80-100
Cash	7.89	0-20

Top 5 active positions as at 31 January 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.24	0.00	4.24
SFG Australia Ltd	3.61	0.00	3.61
Austbrokers Holdings Ltd	3.57	0.00	3.57
Sirtex Medical Limited	4.25	0.77	3.48
Technology One Limited	3.09	0.00	3.09

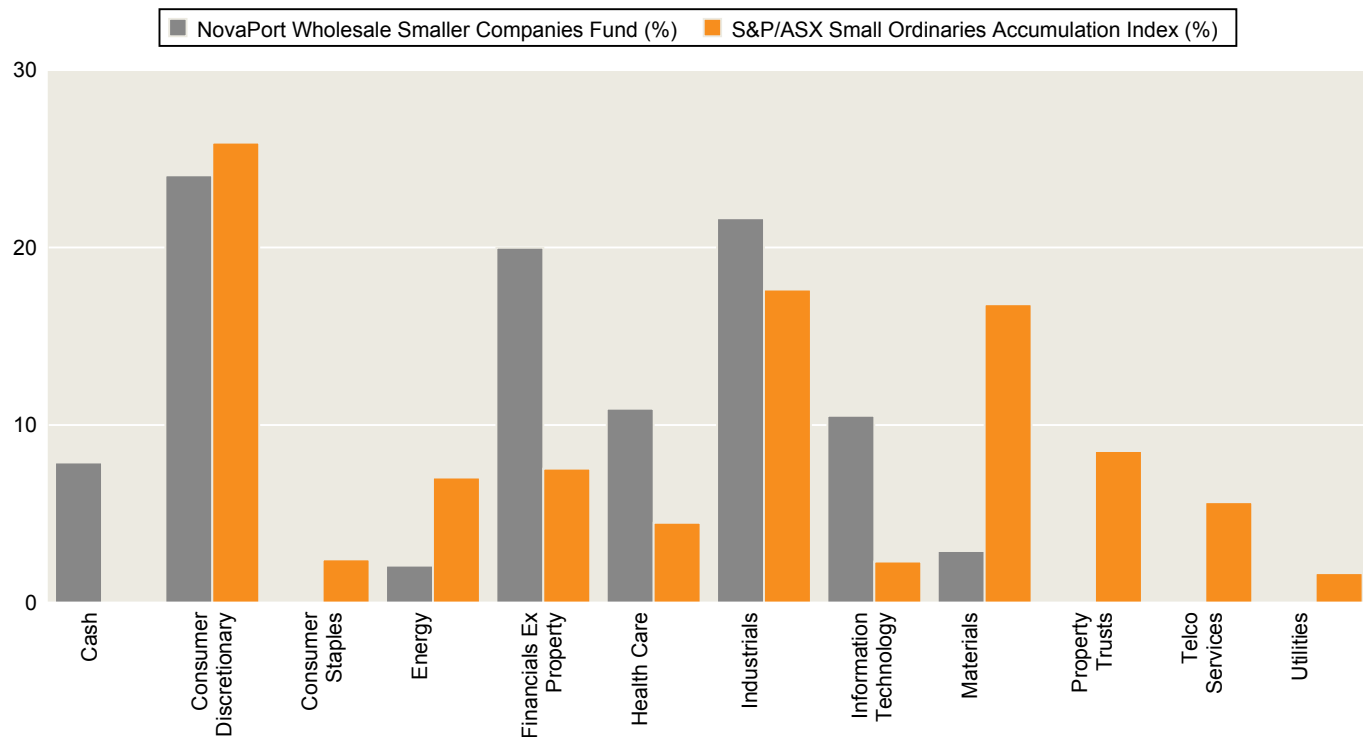
Fund facts	
Inception date	31 December 2002
Fund size	\$77.0M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
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	+0.40% / -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 January 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished January down 2.76% with most of the decline attributable to weakness in the S&P/ASX Small Industrials Index (-3.16% for the month). With last month typically quiet for locally listed companies, most attention was on international events with continued focus on growth rates in China, the US and Europe as well as QE tapering by the Federal Reserve. January saw a particular emphasis on tapering's unintended consequences such as the recent volatility in emerging markets sparked by capital flows back to developed markets. Regarding the short term outlook for the local market, it appears the size of the downgrades over January are no worse than is typically the case in the lead up to the December half reporting season. However, a still weak employment market and subdued environment for business spend warrants some caution in assessing the shorter term outlook for companies in general.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -2.76% for January. The fund outperformed the market and delivered a -1.23% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Sirtex Medical Limited	Health Care	3.48	0.68
Ten Network Holdings Limited	Consumer Discretionary	2.57	0.61
CSR Limited	Industrials	2.73	0.33

Sirtex Medical Limited

Sirtex reported a stronger growth in dose sales for the finaly quarter of 2013. 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.

Ten Network Holdings Limited

Strong ratings for the Big Bash cricket competition as well as news that sales to date for the Sochi Winter Olympic Games have comfortably covered rights and production costs boosted sentiment for the stock over January. In addition, commentary regarding expected advertiser activity levels for 2014 appears to be turning more positive.

CSR Limited

Evidence continues to grow that Australian housing construction activity is improving. Similarly, CSR's earnings will be supported by a lower Australian dollar. Under new management the company has embarked on a rationalisation of its operations, including a restructure of its troubled glass making division.

Key detractors

Security name	Sector	Active weight %	Value added %
Skilled Engineering Limited	Industrials	1.50	-0.25
Kathmandu Holdings Ltd	Consumer Discretionary	2.59	-0.23
Flexigroup Ltd	Financials Ex Property	2.07	-0.16

Skilled Engineering Limited

Skilled Engineering share price has consolidated as the market contemplates the resources sector's demand for contract labour will moderate. The company has made considerable progress strengthening the balance sheet and reducing operating costs such that acquisitions are now a feasible strategy for the company.

Kathmandu Holdings Ltd

Apart from a weaker A\$ impacting margins for a number of retailers, there was no specific news flow attributable to Kathmandu that accounts for the share price decline over January. However, it's worth noting the stock was up strongly over the prior 12 month period suggesting some profit taking as a factor.

Flexigroup Ltd

Flexigroup has grown a substantial lending and leasing business by focussing on product innovation and customer service. The share price retracted following a strong rise in mid 2013. The company has continued to deliver and forecast strong earnings growth.

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