

NovaPort Wholesale Smaller Companies Fund

Monthly report - February 2015

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	8.94	9.23	11.85	19.30	14.83	12.25	16.73
Growth return	8.94	8.24	8.11	16.06	11.88	1.39	6.94
Distribution return	-	0.99	3.74	3.24	2.96	10.85	9.80
S&P/ASX Small Ordinaries Accumulation Index	8.43	9.93	3.11	-1.01	1.42	2.84	7.07
Active return^	0.51	-0.70	8.74	20.31	13.41	9.40	9.67

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 28 February 2015 (%)	Range (%)
Security	88.47	80-100
Cash	11.53	0-20

Top 5 active positions as at 28 February 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	5.78	0.00	5.78
CSR Limited	3.48	0.00	3.48
Peet Ltd	3.22	0.00	3.22
Japara Healthcare Ltd	3.59	0.57	3.02
Mystate Ltd	2.77	0.00	2.77

Fund facts	
Inception date	31 December 2002
Fund size	\$159.8M
APIR code	HOW0016AU

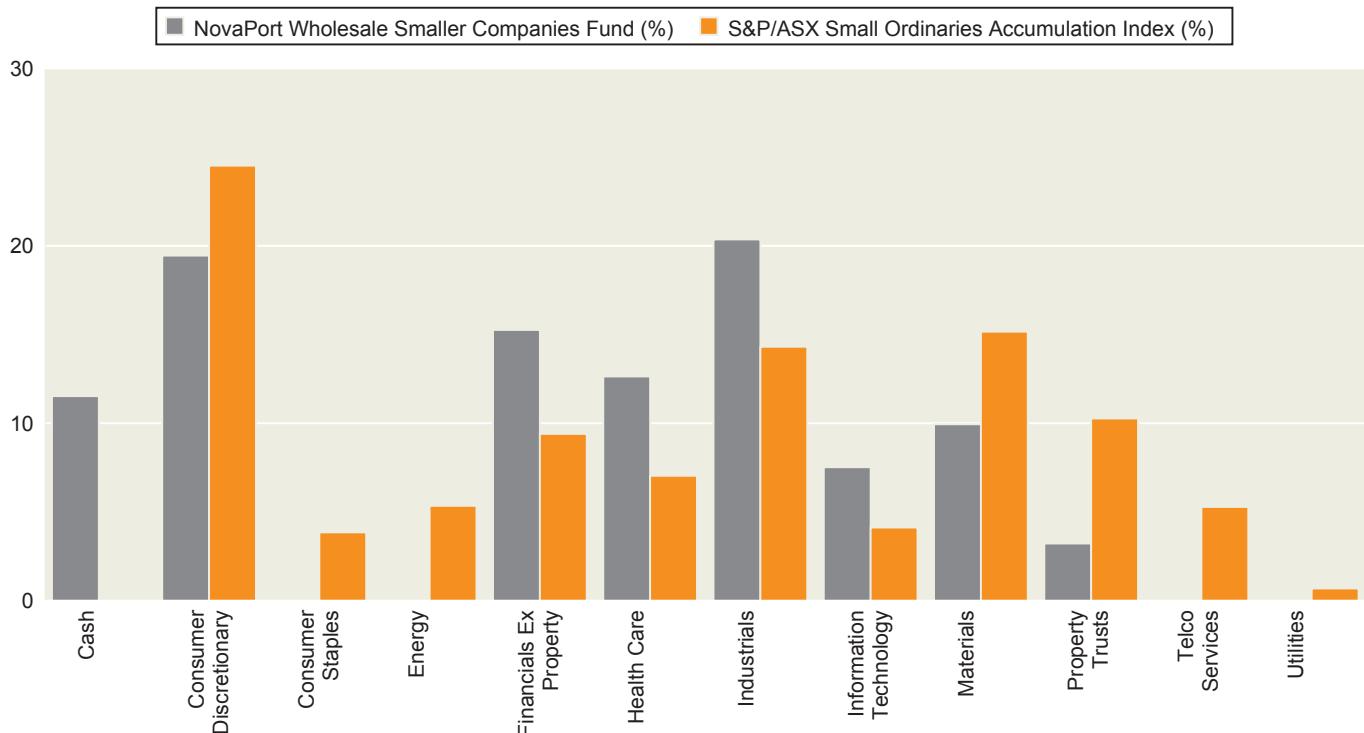
Fees	
Entry fee	Nil
2013-2014 ICR	2.59%
Management fee*	0.90% p.a.
Performance fee^	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance 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 28 February 2015



Market overview

The Small Ordinaries Accumulation Index experienced its strongest month since July 2013 with the index up 8.43%, outperforming the ASX top 100 which posted a return of 6.8%. The Resources sector was up 10.88% while Industrials finished the month up 7.95%.

While the release of December half results tends to be the key focus for investors in February, this time around the Reserve Bank's decision to cut rates by 25 basis points to 2.25% added further momentum to the market which had been building over late January.

As expected over the reporting season, companies highlighted still generally weak conditions across the Australian economy. Lower commodities prices are impacting the miners as well as related services companies with weak consumer and business confidence impacting the east coast. The only material exception at this stage remains the housing sector which is seeing the flow on benefits of previously reported strong approval and finance numbers.

Forecast earnings for the remainder of the financial year were slightly down compared to expectations leading into reporting season implying that the strong market return over February was driven by an expansion in earnings multiples. This would suggest that either the market is in expensive territory or we are at the bottom of the earnings cycle with an expectation of better times ahead (ie, from FY16 onwards), justifying a higher multiple on short term earnings.

Another key observation of the reporting season was the volatility in prices. Companies with solid results, and demonstrable growth profiles independent of underlying economic conditions, experienced a further rerating on already high multiples. Meanwhile, companies missing expectations experienced a sharp de-rating.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +8.43% for February. The fund outperformed the market and delivered a +8.94% return over February.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Japara Healthcare Ltd	Health Care	3.02	0.68
Domino's Pizza Enterprises Limited	Consumer Discretionary	0.99	0.48
Sirtex Medical Limited	Health Care	1.57	0.41

Japara Healthcare Ltd

Japara Healthcare continues to deliver on its organic and acquisitive growth strategy while generating strong cashflows. The company is positioned to benefit from two ongoing macro drivers within the aged care sector: the recent changes to the regulatory framework; and, an ageing population.

Domino's Pizza Enterprises Limited

Domino's half year result was considered a genuine earnings surprise with upgrades in analyst's forecasts in combination with another positive rerating in the multiple driving the stock price up by 33% over the month. Operational highlights included a positive report on its European operations and strong like for like growth in Australia and New Zealand which saw reported margins come in above expectations.

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. The company generates most of its sales outside of Australia and benefits from a weaker Australian dollar.

Key detractors

Security name	Sector	Active weight %	Value added %
Cash Converters International Limited	Consumer Discretionary	1.81	-0.57
Kathmandu Holdings Ltd	Consumer Discretionary	1.37	-0.54
Village Roadshow Limited	Consumer Discretionary	1.95	-0.41

Cash Converters International Limited

Cash Converters reported a solid interim result with strong growth numbers across its core Australian operations more than offsetting a weaker performance out of the UK division. Sentiment continues to be impacted however by potential revisions to regulations regarding short term, low amount lending sector although it should be noted the sector is already operating under tighter conditions post an extensive review by the Federal government which saw updated legislation passed in 2012.

Kathmandu Holdings Ltd

Kathmandu is not due to report its result until late March given its January balance date. However, the company released a disappointing trading update at the beginning of February, following an assessment of post-Christmas and January trading. The company highlighted weaker profitability adversely impacting margins as a result of aggressive sales activity to clear excess inventory levels.

Village Roadshow Limited

Village Roadshow released a disappointing result pointing to a particularly weak operational performance at in its theme park division. The company highlighted unseasonably wet conditions over the December period impacting visitations at its Gold Coast and Sydney water theme parks. As expected, box office returns from its cinema exhibition division were also weak. As a result management issued revised guidance, which was disappointing relative to expectations, adding further pressure to its share price.

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