

NovaPort Wholesale Smaller Companies Fund

Monthly report - January 2015

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	0.55	-2.40	6.37	18.11	12.81	11.10	16.02
Growth return	0.55	-3.29	2.82	14.91	9.91	0.36	6.23
Distribution return	-	0.89	3.55	3.21	2.90	10.74	9.80
S&P/ASX Small Ordinaries Accumulation Index	0.91	-2.49	-0.18	-1.60	-0.30	1.91	6.40
Active return [^]	-0.35	0.09	6.56	19.71	13.11	9.19	9.63

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 2015 (%)	Range (%)
Security	86.67	80-100
Cash	13.33	0-20

Top 5 active positions as at 31 January 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	5.60	0.00	5.60
CSR Limited	3.57	0.00	3.57
Technology One Limited	3.41	0.63	2.78
Austbrokers Holdings Ltd	2.69	0.00	2.69
Retail Food Group Ltd	3.23	0.68	2.55

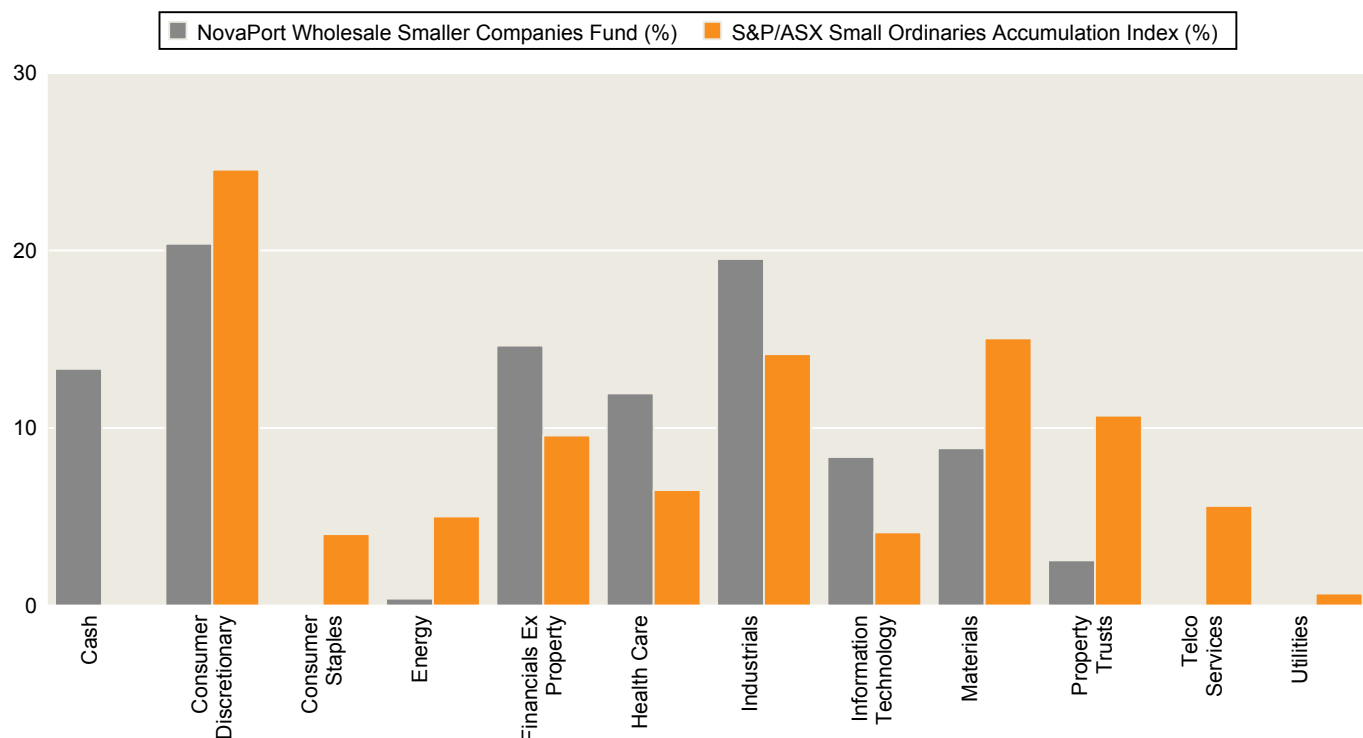
Fund facts	
Inception date	31 December 2002
Fund size	\$143.6M
APIR code	HOW0016AU

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 31 January 2015



Market overview

The Small Ordinaries Accumulation Index had a positive month with January finishing up 0.91%. Both Industrials and Resources sectors contributed with the former posting a 0.33% gain while the miners finished up 3.92%.

The mining companies experienced their best month since July last year, however January's performance was on the back of material monthly declines over the December quarter.

While commodities prices remained under pressure (with gold the exception finishing up strongly for the month) an emerging sense that some value had materialised after significant declines last year, as well as a further weakness in the Australian dollar sparked some bargain hunting across the sector.

News flow across the non-resources economy remained weak with some recent downgrades in the consumer discretionary sector serving as reminder that subdued consumer sentiment and concerns regarding rising unemployment continue to have a dampening effect on market performance.

Markets were pre-occupied with the short term interest rate outlook over January with lacklustre domestic conditions (housing being the main exception) combined with global growth concerns resulting in increased conjecture of a rate cut in February, which would make it the first since August 2013.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.91% for January. The fund underperformed the market and delivered a +0.55% return over January.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Chandler Macleod Limited	Industrials	2.28	0.92
Saracen Mineral Holdings Ltd	Materials	1.44	0.42
Bradken Limited	Industrials	-0.44	0.33

Chandler Macleod Limited

Recruit, a Japanese information services and human resources company, has proposed a scheme to acquire all the shares of Chandler Macleod for cash at a substantial premium. The proposal has been recommended by the board and appears to offer a sufficient premium to be successful.



Saracen Mineral Holdings Ltd

Announced a strong December quarterly report with production comfortably above guidance largely driven by high grades in its Red October underground operation. An increasing level of confidence that the company is tracking to the higher end of full year production guidance, well contained costs and an 8% increase in the gold price (higher when a weaker Australian dollar is factored in) were supportive factors driving a 41% increase in price over the month.

Bradken Limited

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Austbrokers Holdings Ltd	Financials Ex Property	2.69	-0.43
Magellan Financial Group Ltd	Financials Ex Property	-2.29	-0.30
Platinum Asset Mangement Ltd	Financials Ex Property	-1.77	-0.28

Austbrokers Holdings Ltd

Austbrokers released a downgrade to earnings expectations in January citing reduced broker earnings from substantial premium rate reductions (up to 30% in some segments of the industry). The impact was exacerbated by certain renewal dates moving from the December half to the current half thereby reducing first half earnings. While some of the impact of these negatives was offset by higher client and policy numbers, management commented that full year earnings would likely fall in the 0%-5% growth range on FY14 versus previous expectations of 5%-10% growth.

Magellan Financial Group Ltd

Not held by the fund.

Platinum Asset Mangement Ltd

Not held by the fund.

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